

PUBLIC ADMINISTRATION - CURRENCY REPORT

5



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

Record
11-13-52

Restricted

American Embassy, Rome,
October 22, 1952.

ADDRESS OFFICIAL COMMUNICATIONS TO

Dear Edna:

On going over my Currency Report I find need for some changes, mainly made necessary by the conferences on the day preceding our departure. The following is a statement of the changes:

Contents

In Chapter III the first two headings should read: "Value to be given to the new sovereign" (Page 14) and "Means to maintain the sovereign's value" (Page 16).

Page

Line

✓ 3

✓ 6

"24%" not "12%".

✓ 10

"from" not "in".

✓ 6 from bottom

Read: "This rise was partly seasonal" etc.

✓ 12

Rewrite as per attached copy.

✓ 13

4

"outbreak or" not "of"

✓ 14, 16,

✓ 17, 21 ✓

Rewrite as per attached copies.

0/24

4 lines from
bottom

Read: "which is about", etc.

OK 26 fig
orig

4 lines from
bottom

Read: "10.60" instead of "10.75".

Mrs. Edna B. Stacey,
American Embassy,
Jidda, Saudi Arabia.

OK 27 *frig*
ing

Read: "\$0.265" instead of ".269".

5

Read: "3:17" not "3:16"

OK 28

Add to the end of the first paragraph: ", and by increased production".

OK 30

First line
3rd paragraph

Read: "interchangeable at par".

OK 36

8

Correct spelling of third word.

39

Rewrite as per attached copy.

OK 43

16

Correct spelling of lodge.

OK 46

4th paragraph
Line 4

Read: "I suggest for the qirsh coin a thickness" etc.

The above will involve rewriting the first page of the Contents and pages ¹²14, 16, 17, 21 and 39. The other changes I think you can make without rewriting.

I am sorry to burden you with this but it was unavoidable because of the changes made at the meetings mentioned.

Please correct the copy given Mr. Blowers, which I imagine is the only one outside your possession except mine—which I am correcting here.

Also please give Mr. Khalidi, through Mr. Blowers, the old page 21 which I enclose, and explain the other changes in Chapter IV. This will help Mr. Khalidi to correct the translation made of this chapter when it was first written in August. *Please verify that the Agency is making the translation.*

Finally please send to me c/o John Parke Young, OFD, Department of State, a copy of my dictated report of conversations.

We had a good trip and much appreciate the great kindness which everyone showed in facilitating our departure and seeing us off. Let me specially thank you for your hard work in helping me leave things in good order.

With best wishes, I am,

Sincerely yours,

Arthur N. Young
Arthur N. Young

P.S. Please also send me (1) translation of decree re new gold sovereign, (2) Minister of Finance's announcement of it, (3) Communique's #1 & 2 of the Agency. You can send by ordinary ^{air}mail to American Express, London. Please send there any other mail. John Danaway has funds for postage. After London

send mail to John Parke Young, OFD, Dept. of State. Better not forward to London after Nov. 8 as we

UNITED STATES OF AMERICA

TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

October 19, 1952

His Excellency Shaikh Abdullah Al-Sulaiman
Minister of Finance of the
Kingdom of Saudi Arabia
Jidda

Your Excellency:

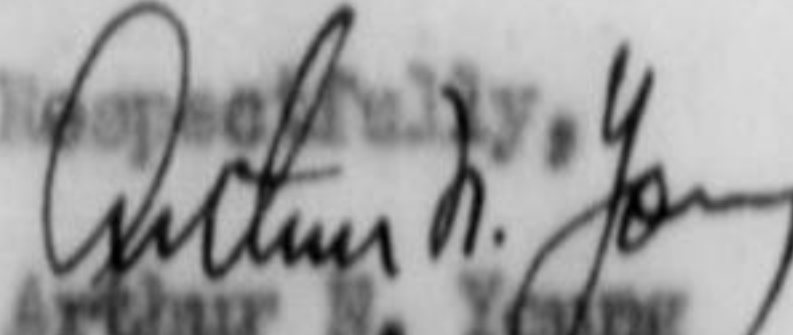
I have the honor to transmit herewith my report on Saudi Arabian currency. Improvement of the currency system presents so many difficult and inter-related problems that I have deemed it wise to make this systematic study.

The report includes material already presented to Your Excellency in connection with the currency measures adopted in October, 1952. It also includes a discussion of further measures of currency improvement, recommended for adoption after a period of experience with the measures of October, 1952. These measures, as Your Excellency knows, involve the risk of changes being forced on Saudi Arabia because the riyal is a "full weight" silver coin. These measures, therefore, should be regarded as transitional because their working at the rates now announced may become difficult in the event of major changes in world prices of gold or silver. Nevertheless in my judgment the measures are workable pending such major changes; and the likelihood of changes in the near future that would upset them is not sufficient to render inadvisable their adoption as a transitional system.

In particular, I am grateful for Your Excellency's constant interest in this work, and am likewise grateful to His Excellency Najib Bey Salha, Assistant Deputy Minister of Finance. I recall that Your Excellency at our first conference on the day of my arrival in Jidda, July 12, 1951, referred to the need for a new institution to aid in management of monetary and fiscal matters. This far-sighted initiative led to the planning and establishment of the Saudi Arabian Monetary Agency which opened October 4, 1952. Creation of the Agency provides the machinery to deal with the problems discussed in this report. It made possible the monetary measures announced in October, 1952.

I am indebted to many for aid and ideas—including those who previously have studied the monetary situation and sought means to improve it. I have had valuable information and help from a number of officials, from the officers of the banks established in Saudi Arabia, and from a number of business men, including officers of the Arabian American Oil Company. Finally I am grateful to Mr. George A. Blowers, Governor of the Saudi Arabian Monetary Agency, to Mr. Rassin Bey Khalidi, Vice-Governor, and to Dr. A. N. Melced of the Agency for discussing with me the problems, reading part or all of the draft of the report, and making many valuable suggestions. Of course I take full responsibility for the views expressed.

Finally, I am submitting this report as an expert made available by the Government of the United States in response to the request of the Government of the Kingdom of Saudi Arabia, and the views which I express are not necessarily those of the Government of the United States.

Respectfully,

Arthur H. Young
Financial Advisor

CONTENTS

SAUDI ARABIAN CURRENCY

I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING	1
Amount of the system	1
Value of monetary circulation	2
Rates of exchange and prices	2
SAUDI ARABIAN CURRENCY	4
Special characteristics affecting plans for monetary readjustment	5
II. OUTLINE OF A MONETARY STANDARD	7
A Report to His Excellency Sheikh Abdullah Sulaiman, Minister of Finance of the Kingdom of Saudi Arabia	7
The British gold sovereign	11
Sterling	11
Gold at \$35 per ounce	11
The Saudi Arabian gold	11
Arthur N. Young, Financial Adviser	11
III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN	14
Value to be given to the new sovereign	14
Means to maintain the sovereign's value	16
Position of the British gold sovereign	17
Position of the riyal	17
IV. RATES FOR THE NEW SOVEREIGN AND THE RYAL	21
Recent rates	21
The value of the new sovereign	21
Consistency of maintaining a rate in the range of 100 to 105	21
Ratio of the riyal to the new sovereign	26
Relation of the rate to future currency Technical Cooperation Administration of the United States of America Jidda, Saudi Arabia	27
October, 1952	28

CONTENTS

SAUDI ARABIAN CURRENCY

Page

Page

I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING	1
Summary of the system	1
Volume of monetary circulation.	2
Rates of exchange and prices.	2
Merits and defects of the system.	4
Special characteristics affecting plans for monetary readjustment.	5
II. CHOICE OF A MONETARY STANDARD.	9
Bimetallism	9
Making the present dual system more workable.	9
The silver standard	10
The British gold sovereign.	11
Sterling.	11
Gold at \$35 per ounce	11
The Saudi Arabian gold sovereign.	12
III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN	14
Value to be given to the new sovereign.	14
Means to maintain the sovereign's value	16
Position of the British gold sovereign.	17
Position of the riyal	18
IV. RATES FOR THE NEW SOVEREIGN AND THE RYAL.	21
Recent rates.	22
Relation of rates to the price of silver.	24
Feasibility of maintaining a rate in the range of 3:11 to 3:16½	25
Ratio of the riyal to the new sovereign	26
Relation of the rate to future currency reorganization	27
Conclusion re the initial rate.	28

V. READJUSTMENT OF THE RIYAL 30

Need for a new riyal 30

Types of currency readjustment used in countries
with similar problems 32

Conclusion re the plan best adapted to
Saudi Arabia. 36

Silver content 37

Size, weight and composition of new silver coins . . 37

Summary of proposed silver coins and comparison. . . 39

Quantity of new coins needed 39

Maintenance of parity of the new coins 42

Alternative method of readjusting the riyal. 44

VI. READJUSTMENT OF MINOR COINAGE 45

Present situation. 45

The rate of the qirsh. 45

Composition of new qirsh coins 46

Quantity needed. 47

ANNEXES

I. Saudi Arabian mintings of silver coins. 48

II. British sovereign and sovereign-riyal rates of
exchange at Jidda, 1946-52 49

III. Exchange value of the riyal at Jidda compared
with value of same weight of silver at New
York and Bombay. 52

IV. Decrees of April 20, 1952, creating the Saudi
Arabian Monetary Agency, and of August 5, 1952,
appointing the Governor and the Board of Directors . . 53

V. Calculation of reserve for silver coins 60

CHARTS

I. Riyal-sovereign (George Head) rates at Jidda:
range, 1946-52 61

II. Exchange value of the riyal at Jidda compared with
value of same weight of silver at New York and
Bombay 62

The gold content of the British sovereign is worth \$12.00 at \$20 per ounce. But the sovereign commands a varying premium, now generally about 4% in free, gray or black gold markets of a number of countries, because it is well known and immediately marketable, its quantity is limited, and it is: **I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING**

Various have used precious metals as a storehouse of value. The sovereign circulates actively in the Jidda-Mecca area and in parts of the interior along with the riyal, at varying rates of exchange. In the east coast Saudi Arabia's currency system is unique in the world today. It even, however, the sovereign is not generally used. is the hardest money of all, a dual currency consisting of British gold The riyal is a popular coin. Throughout the country it is the coin-sovereigns and Saudi Arabian silver and minor coins. The gold and silver coins circulate primarily on the basis of their bullion content and same weight and fineness as a former Indian rupee. The sovereign is value in world markets. But they do not closely follow external values used for larger transactions in the western area and parts of the interior, because of local conditions and the restrictions upon import and export of gold and silver in this and other countries. The only fiduciary element consists of minor coins of 1, 1/2 and 1/4 qirsh, valued at 22 qirsh to the riyal. The country has never had its own paper money—though Indian rupees and some other currencies are used to some extent in the coastal areas, especially at the season of the pilgrimage.

The coins comprise the following, including the newly coined Saudi Arabian gold sovereign: The coins are not in the country, but certainly it is considerably below the total received. The entire amount has been on a large scale at times, especially in the past few years. The coins are not in the country, but certainly it is considerably below the total received. The entire amount has been on a large scale at times, especially in the past few years.

The coins comprise the following, including the newly coined Saudi Arabian gold sovereign:

	Weight (grams)	Fineness	Weight fine metal (grams)	Approximate exchange value, first nine months of 1952
Gold				
British sovereign	7.9880567	.916 2/3	7.322385 ^a	\$12.00
Saudi Arabian sovereign	7.98805	.91666	7.322326	Not issued as of Oct. 1, 1952
Silver				
Riyal	11.6638	.916 2/3	10.6918 ^{aa}	.275
1/2 riyal	5.8319	.916 2/3	5.2359	
1/4 riyal	2.916	.916 2/3	2.673	
Minor				
Qirsh 3/4	6.5	75% copper		22 qirsh
1/2 qirsh	5.5	25% nickel		equal to
1/4 qirsh	4.25			1 riyal

^a This is the equivalent of 113.0016 grains, or .23542 oz.
^{aa} This is the equivalent of 165 grains, or .34375 oz.

Rates in riyals are customarily quoted in riyals and qirsh, e.g., 100 riyals per dollar.

The gold content of the British sovereign is worth \$8.239 at \$35 per ounce. But the sovereign commands a varying premium, now generally about 45% in free, gray or black gold markets of a number of countries, because it is well known and immediately marketable, its quantity is limited, and it is ideally suited for hoarding by people who for centuries have used precious metals as a storehouse of value. The sovereign circulates actively in the Jidda-Mecca area and in parts of the interior along with the riyal, at varying rates of exchange. In the east coast area, however, the sovereign is not generally used.

The riyal is a popular coin. Throughout the country it is the currency of the people and is used generally in retail buying. It has the same weight and fineness as a former Indian rupee. The sovereign is used for larger transactions in the western area and parts of the interior.

Volume of monetary circulation

It is impossible even to make a fair guess of the number of British sovereigns in the country. As to riyals, the total amount of silver coins made since 1935 is SR270.5 million, including an order of SR52 million in June and July, 1952, whose delivery should be substantially completed by the end of 1952. Details by years are shown in Annex I. It is impossible to say how many are now in the country, but certainly it is considerably below the total received. The outward smuggling has been on a large scale at times, especially in 1949-50 when it has been said to amount to SR2-5 million monthly.

Rates of exchange and prices

Riyal-sovereign rates of exchange in Saudi Arabia since 1945 have varied between SR39 and SR40 3/4 per sovereign,* as shown in Annex II and Chart I. In the past three years the range has been between SR62 1/2 and SR40 3/4. The rate in September, 1952, averaged about SR42 1/2.

Similarly there have been wide fluctuations in foreign exchange. The value of the British sovereign is quite outside the control of Saudi Arabia or of any one country where it is widely current. Its value at

* Rates in riyals are customarily quoted in riyals and qirah, e.g., SR3:16 per dollar.

Jidda since 1945 has ranged from \$20.00 to \$10.25. In the past three years rates have varied between \$12.90 and \$10.25. In September, 1952, the rate averaged about \$12.10. The sovereign has consistently been in demand at a premium well above \$35 per fine ounce of gold. The equivalent per fine ounce at Jidda has ranged between \$64.95 (143% premium) in 1946 and \$43.54 (24% premium) in 1950. The equivalent in September, 1952, averaged about \$51.00 (46% premium).

The value of the riyal in foreign exchange has been influenced by the value of silver in foreign markets, but at times has departed considerably from the foreign parities. This has resulted from local shortage or plenty, from the restrictions on export of riyals, and from restrictions affecting silver in other markets. There has been considerable outward smuggling of riyals when the value of silver abroad has been materially above the riyal's exchange value in the country. But there has been little smuggling when the premium was less than about 15%, because of the great weight of silver in relation to its value and the risks of seizure.

Annex III and Chart II compare the exchange value of the riyal with the value of the same weight of silver at New York and Bombay. There has been at times a premium of over 70% at Bombay, due to scarcity caused by Indian import restrictions, and at New York of 25%. Naturally there was extensive smuggling when the premium was so large. At the present writing, the exchange value of the riyal is substantially the same as its parity in New York or Bombay, a rather rare condition.

The foreign exchange value of the riyal has been more stable than that of the sovereign. It has varied, however, roughly between \$0.20 and \$0.30 since 1945. In the first half of 1952 the riyal was quite steady at about \$0.27, or about 3.70 per dollar, but averaged about \$0.285 in the summer of 1952. This rise was partly seasonal due to additional demand for money in connection with the pilgrimage which in 1952 reached its climax in August.

Only fragmentary data of internal prices in Saudi Arabia are available. The data are insufficient to permit any very definite conclusions as to the connection between fluctuations of foreign exchange and the

movement of prices and cost of living, other than that unstable exchange adds to costs of doing business which are largely passed on to the consumer.

Merits and defects of the system

The monetary system has some important points of strength. In a world of depreciating "soft" currencies, Saudi Arabia's all-metal currency has maintained its value as well as anyone could hope. The people have full confidence in the riyal and the British sovereign. The currency is durable. It has proven that it can solidly, if not conveniently, meet the needs of the country.

There are, nevertheless, some serious defects of the system which are being increasingly realized. Instability is the greatest defect. There is no fixed rate internally between the riyal and sovereign, and rates have varied widely. No fixed rate can be set and definitely maintained. Externally, neither coin has a fixed value in terms of foreign currency.

Variations in the rate may be very disturbing to Government finance. About four-fifths of the revenue is in foreign exchange, mainly dollars. A large part of this must be converted into riyals and sovereigns to be spent locally. The Government cannot budget with assurance when it cannot know from one month to another what its revenues in terms of local currency will be. The number of riyals realized per dollar has varied from about 3.2 to 5.2 since 1945. And the price of sovereigns has ranged between about \$10.25 and \$20.00. That means that since 1945 the outturn of \$1,000,000 has ranged from SR3,200,000 to SR5,200,000; and from 50,000 to nearly 100,000 sovereigns. Even in the year 1951 the outturn ranged from about SR3,550,000 to SR4,000,000; and from about 77,000 to 85,000 sovereigns.

Fluctuations also are harmful to foreign trade. In many countries importers and exporters commonly settle with banks their rates of foreign exchange in advance, in order to know the cost or proceeds in terms of local currency. But forward exchange transactions are almost non-existent here, partly because of the interpretation of religious law

which may be placed upon acts to provide for future contingencies. This exchange instability brings to foreign trade an element of risk and uncertainty which is rarely avoided. To compensate for this traders must allow larger profit margins. They pass on this added cost to the public or the Government (as a buyer of imports) in the form of higher prices. This extra burden on trade reduces imports. Also it reduces revenue from the customs. Finally its effect, by reducing the supply of imported goods, is to lower the standard of living of the people as a whole.

The people also may suffer from fluctuations of the value of the money they hold. They have no way to know what one coin may be worth in future in terms of the other. By holding either coin, if they may need the other, they run the risk of loss.

Furthermore, the gold and silver coins are not interchangeable at any par rate. The public have to pay rates of exchange covering the profit of the money changer or bank. With a good system all forms of money would be interchangeable at fixed par without any cost to the holder. The only fixed element in the system is the rate between the qirah and the riyal, 22 to 1. But that is an odd rate, not easy for computation, and even that rate has sometimes varied in times of monetary stringency. The qirah should bear a fixed decimal relation to the system.

Finally the system is cumbersome. In the absence of money of large denominations the riyal is the people's main money. The riyal is a heavy coin in relation to value. For any sizable transaction there are problems of carrying large weights of metal and counting numbers of coins. This is troublesome, a waste of time and a source of expense.

Clearly Saudi Arabia would benefit if it could introduce a revised monetary system with a definite stable monetary standard and a system of convenient coins with fixed decimal values and freely interchangeable at the wish of the holder.

Special characteristics affecting plans for monetary readjustment

There are several important characteristics of the monetary situation in Saudi Arabia which must be taken into account because of their important effect on the monetary system. The Saudi money market is concerned with financing trade and the

affect upon the nature of any plan for monetary readjustment.

a. Saudi Arabia from earliest times has used hard money of "full-weight". The people have relied upon the "intrinsic" metal content of money rather than upon governmental measures giving it value, and thus they tend to distrust paper money. The railway from the west coast to

b. Closely related to the above is the wide extent of hoarding. Certain large money dealers do certain banking operations, but there are no formally established local banks. The modern banking facilities provided by foreign banks exist only in Jidda and the Dammam-Dhahran area. These banks have relatively few deposits in local currency, though the deposit system has been slowly growing and foreign currency deposits are considerable. Most local business houses and individuals keep their funds mainly in hoards of gold and silver. The ordinary people throughout the country keep a smaller or larger supply of gold and/or silver coins--as much as they can afford--as a reserve for spending and emergency. to convert large sums from foreign to local currency

c. There is not much debtor-creditor relationship and comparatively few long-time contracts based on money other than real estate leases which are rarely for over two years. Personal insurance, bonds and mortgages hardly exist. The Government has no local funded debt. For these reasons the country is less vulnerable than most countries to monetary changes affecting its contractual structure. But changes in foreign exchange rates have considerable effect because of (a) the Government's heavy dependence upon foreign exchange revenue, and (b) the country's great dependence upon imports. due to its wealth in oil.

d. The economy is regional with considerable differences between regions. The west coast uses gold for larger transactions, but riyals for ordinary retail trade and wages. The east coast, however, uses almost no gold--its fondness for silver reflecting orientation toward India. Much of the interior is familiar with both gold and silver coins. Parts of the country are rapidly becoming modernized; and in other parts the tribesmen live much as they have for many centuries past. On the west coast, whose economic center is at Jidda and Mecca, Jidda's money market is concerned with financing trade and the Haj

(pilgrimage), and also has a certain amount of speculation in gold, silver and foreign currencies. The east coast is characterized by the rapidly growing oil industry. The Riyadh area centers upon the activities dependant upon it being the political capital and the chief residence of His Majesty the King. The railway from the east coast to Riyadh was opened late in 1951, and its extension to Jidda is being planned. The railway will help to transform much of the region where it runs. It now tends to link economically the Riyadh region mainly to the east coast.

e. Foreign exchange is a major problem. The Government receives about four-fifths of its income in foreign exchange, nearly all of this from the Arabian-American Oil Company (Aramco) exports of oil but some also from foreign concessionaires other than Aramco. Oil revenue, and consequently total revenue, has probably grown faster in the past three years than has the revenue of any country in history except Kuwait. The need to convert large sums from foreign to local currency creates a difficult problem in budgeting so long as the sovereign and riyal have no fixed value in foreign exchange.

In contrast to most areas, dollar exchange is plentiful in Saudi Arabia because of the large oil revenue, and also many dollars become available in the area because of Kuwait's dollar receipts. Part of this exchange not used for goods may be converted into gold and silver. Continuing and growing foreign currency receipts in these relatively undeveloped areas may at times pose a problem as to their use.

f. Saudi Arabia has splendid revenues due to its wealth in oil. Because these revenues are so large and almost all in foreign currency including mainly dollars, the country can afford the soundest and best-secured monetary system. Its revenues are sufficient to build up the reserves needed to assure such a system.

g. Saudi Arabia is extremely dependent upon oil, both as to revenues and economic activity. In the past three years of phenomenal growth of oil production, prosperity has grown accordingly. But in the past oil has gone through periods of overproduction and slump, and it

is only prudent to prepare for the chance that these will recur in the future. Saudi Arabia is highly vulnerable to any slump affecting the sale of its oil, and hence it is wise to make provision for such an eventuality.

If Saudi Arabia built up sizable reserves, which it could gradually do, it would not need to worry unduly about any temporary slump in oil or about year to year variations in yield of revenues.

The main possibilities that Saudi Arabia may consider are: (a) to keep its currency pegged to the pound sterling; (b) to peg its currency to the dollar; (c) to peg its currency to the gold standard; (d) to peg its currency to the silver standard; (e) to peg its currency to the gold and silver standard; (f) to adopt the gold standard based on 100 per ounce, and (g) to introduce the new gold coin with a definite relation to the dollar and other foreign currencies.

Discussion

There is no dependable way to tie together "full weight" gold and silver currencies at fixed rates. Since the end of the war the ratio between gold and silver per ounce in free markets has ranged between 49-1 and 100-1. There is no good reason to believe that the instability of the ratio between gold and silver has hereafter existed and that ratio has been

The bimetallic proposal now widely discussed in Saudi Arabia has been to set a definite fixed rate to 49-1 between the new Saudi Arabian gold and silver currencies. This is basically a scheme of nationally operated bimetallic currency. Such a system may work for a while if treated as transitional, but in time the market ratio would change so as to make any fixed rate untenable and hence the reserves of one coin or the other. Clearly one small country alone could not operate bimetallic.

Adoption of the present gold and silver currencies

The first difficulty in retaining the present gold and silver currencies is that Saudi Arabia could not effectively control the value of the British gold currency. Likewise Saudi Arabia cannot be assured of controlling the "full weight" silver coins.

The British sovereign is not a Saudi Arabian national coin, but rather a foreign one. These currencies are no longer valued and are not likely to

be regularly minted again. The limited supply is going gradually into hoards, and under different conditions of greater stability in the world might be gradually introduced. It certainly has not been easy to get more sovereigns for local use. It is **II. CHOICE OF A MONETARY STANDARD** Arabia is India-

ness its value, since it is in wide demand throughout the world. It fluctuates. The main possibilities that Saudi Arabia may consider are: (a) some form of bimetallism; (b) to retain and try to make more workable the present dual currency system; (c) to base its currency on the present silver rial; (d) to use as a base the British gold sovereign; (e) to join the sterling area; (f) to adopt the gold standard based on \$35 per ounce, and (g) to introduce the new gold coin with a definite relation to the dollar and other foreign currencies. and 40 riyals, and in September, 1952, the rate averaged about 42 riyals. The variations are due to fluctuations in both coins.

Bimetallism

The sovereign, however, has been less stable than the rial in terms of foreign currency. There is no dependable way to tie together "full weight" gold and silver currencies at fixed rates. It has varied at 5/16 since 1945 between 120 and 120.15, and in September, 1952, was a little over 122.00. In terms of the dollar gold and silver per ounce in free markets has ranged between 45-1 and 160-1. The rial has varied between about 10.30 and 10.50, 1945, according to silver prices. There is no good reason to believe that the instability of the ratio between the exchange value of 5/16 or the value of its silver content in the silver gold and silver that has heretofore existed will now suddenly end.

The bimetallic proposal most widely discussed in Saudi Arabia has been to set a definitely fixed rate to 40-1 between the new Saudi Arabian gold coin and the rial. This is basically a scheme of nationally operated bimetallism. Such a system may work for a while if treated as transitional. But in time the market ratio would change so as to make any fixed rate untenable and drain away the reserve of one coin or the other. Clearly one small country alone could not operate bimetallism.

Making the present dual system more workable

The first difficulty in retaining the present dual system and trying to make it more workable is that Saudi Arabia could not effectively control the value of the British gold sovereign. Likewise Saudi Arabia cannot be relied on as a standard but even as a monetary metal. There are no present or assured of controlling the "full weight" silver rial.

The British sovereign is not a Saudi Arabian national coin, but rather a foreign one. These sovereigns are no longer coined and are not likely to be a monetary standard. Although silver prices have been fairly steady for

be regularly coined again. The limited supply is going gradually into hoards, and under different conditions of greater stability in the world might be gradually dishoarded. It sometimes has not been easy to get more sovereigns for local use. It is hard for a single country like Saudi Arabia to influence its value, since it is in wide demand throughout the world. It fluctuates in world markets more widely than gold bullion. A recent development potentially affecting the British sovereign is the Swiss court decision in August, 1952, that the making of full weight replicas of gold coins no longer constituting the currency of the countries of original issue is not counterfeiting.

Rates for the British sovereign in riyals in Jidda have varied since 1945 between about 89 and 40 riyals, and in September, 1952, the rate averaged about 42½ riyals. The variations are due to fluctuations in both coins. The sovereign, however, has been less stable than the riyal in terms of foreign currency. It has varied at Jidda since 1945 between \$20 and \$10.25, and in September, 1952, was a little over \$12.00. In terms of the dollar the riyal has varied between about \$0.30 and \$0.20, i.e., according to either its exchange value at Jidda or the value of its silver content in the silver market in New York.

While the short-term value of the riyal is to some extent within Saudi Arabia's control, the fact that its long-term value is vulnerable to changes affecting silver and the fact that the value of the British sovereign is quite outside the country's control, make it clearly unwise for Saudi Arabia to depend upon improving the present system.

The silver standard

Adoption of a silver standard would be the easiest thing to do because of the riyal's great popularity. But this would not be a real solution. No country today is on the silver standard, except that Saudi Arabia is partly based on it. In the past 50 years most of Europe and Asia has abandoned silver not only as a standard but even as a monetary metal. There are no present or prospective national or international policies that give any confidence in silver's future stability such as might justify any country in choosing it as a monetary standard. Although silver prices have been fairly steady for

several years, they have in the past been highly unstable. Variations in the price (which was \$0.83½ per fine ounce in New York in September, 1952) may temporarily be within a narrow range; but over a longer period may be within a wide range, e.g. between \$0.65 and \$1.29. Any plan to use silver as money must contemplate such a range.

Choice of a silver standard would continue to leave the Government of Saudi Arabia vulnerable to major fluctuations which would make uncertain the yield in local currency of the foreign exchange receipts which are about four-fifths of its total income.

The British gold sovereign

The British gold sovereign is popular and widely current under the present dual system. But there are strong reasons for not using it as a permanent standard, as set out above in discussing possible retention and improvement of the present dual system.

Sterling

A sterling standard would have some convenience due to the fact that Saudi Arabia is surrounded by sterling area countries and has much trade with the sterling area. But Saudi Arabia now has a system that is practically free from controls of trade and foreign exchange. It has perhaps the hardest currency system in the world. It has no shortage of foreign exchange, because of its wealth in oil. It receives large amounts of dollars, and there is no need for it to assume any obligation to put them in the "dollar pool" of sterling countries. Sterling exchange has had a constant series of difficulties since the war which still persist. Saudi Arabia has a clear balance of advantage in not joining the sterling area.

Gold at \$35 per ounce

Adoption of the gold standard based on a price of \$35 per ounce would in effect link Saudi Arabia's currency to the dollar. But were Saudi Arabia to undertake to issue full weight gold coins at \$35, it would have to give up its traditional use of gold as currency. Any such attempt would merely feed the various premium markets for gold, since the coins would not stay in circulation. Hence Saudi Arabia would have to depend entirely upon fiduciary

currency. This would comprise silver and minor coins; and would involve a system which it would be difficult to operate without relying largely on currency notes--whose use under present conditions seems inadvisable.

Thus adoption of a standard which would require gold circulation at \$35 per ounce is impracticable.

The Saudi Arabian gold sovereign

There remains the choice of introducing the new Saudi Arabian gold sovereign, minted early in 1951 but not issued as of October 1, 1952, as a step to an improved monetary system; and maintaining its value in foreign exchange by operations of the Saudi Arabian Monetary Agency to prevent undue fluctuations. This is in my opinion the best choice, having regard to actual conditions in Saudi Arabia and the attitude of the Government and public.

There are several important reasons in favor of a gold coinage in Saudi Arabia. For centuries gold coins have been known and trusted and they now form a major element in the system. They are popular because well-suited to conditions that now exist and are likely to continue to exist for some time to come. They afford high value in small compass, are easily transported, are highly durable and are a convenient "storehouse of value" in a country meagerly equipped with credit institutions. In an inflationary world, faced with threats of war and widely dominated by the belief that governments should use fiscal means to promote full employment and prosperity, gold is more likely to keep its value than any national monetary unit. A gold currency is less liable than any other to pressure from unwise governmental action--and the strongest and most experienced countries are suffering from abuses of credit.

Under present world-wide conditions there can be no assurance of complete stability in any standard. But there is a firm floor under gold at \$35 per ounce. One cannot visualize a drop below that figure, which is 7%-8% below the free gold price in September, 1952 (\$37.50-\$38.00 per ounce). No continuing drop to a premium of less than say 4% (\$36.40) seems at all likely. Thus for practical purposes the floor is higher than \$35.

On the other hand, a rise of large proportions in the free gold price would be checked by the gold sales of producing countries in free markets.

The IMF's announcement of September, 1951, was interpreted as giving these countries more latitude in sales; and this has led to greater stability of the free gold market at lower levels. No really large rise is likely without (a) outbreak or general expectation of world-wide war, or (b) revaluation of gold either generally or by the United States.

Saudi Arabia should not refrain from issuing the new gold coin, in my opinion, because of these two contingencies. If they happen the entire world would be faced with monetary readjustments, and would have an interest in tempering their effects. This situation is in contrast to that of silver, since the monetary effects of major fluctuations of silver are not likely to be of really serious concern in any quarter where effective action might be taken.

It remains to consider the level in foreign exchange at which the new sovereign should be issued. Obviously the level has to be chosen with regard for the level at which gold in the form of bars and coins passes from hand to hand in the various markets accessible to Saudi Arabia. The new coin's equivalent per ounce must be safely above its value as bullion in free gold markets or it would not stay in circulation. I would stress in this connection that for Saudi Arabia to issue its gold sovereign at a value exceeding \$35 per ounce is not a revaluation of gold. Rather it is a practical measure to issue the coin at a level where it will not be drawn away to outside markets. In this respect the position of the coin will be similar to that of the British gold sovereign, which now circulates in the country at a 45% premium over \$35 and also about a third above the price of gold in the various free, gray or black markets.

The problem of the value to be given to the new sovereign and related matters affecting readjustment of the Saudi Arabian monetary system are considered in succeeding chapters.

III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN*

A major purpose of the Saudi Arabian Government's far-sighted action in creating the Saudi Arabian Monetary Agency in April, 1952, was to provide machinery to improve the monetary system. The Royal Decree of April 20, 1952, mentioned as the first function of the Agency: "To strengthen the currency of the State and to stabilize its value and to fix its value in relation to foreign currencies."

The Agency's opening on October 4, 1952, cleared the way for issuing the new gold sovereign.** This coin is practically identical with the current British sovereign in weight and fineness. It weighs 7.98805 grams, is .91666 fine and contains 7.322326 grams of fine gold (equivalent to .2354 oz.).

Issuance of the new coin raises problems of its value in foreign exchange, how its value is to be maintained and the position of the present currency comprising British sovereigns and riyals.

Value to be given to the new sovereign

The Agency should operate to prevent undue fluctuations of the value of the new sovereign in foreign exchange, within an approximate range determined by the Agency. Its issuance thus will be an important step toward exchange stability and avoidance of the losses to the Government and the people which have resulted from exchange fluctuations. But it is important that the range be neither too low nor too high.

The gold content of the coin is worth about \$8.24 at \$35 per ounce. On the basis of the current price of gold bullion in free markets, recently between \$37 and \$38, the coin's gold content is worth between \$8.70 and \$8.95. Obviously the coin could not be issued at a value in the latter

* Part of this chapter was embodied in a report presented to His Excellency the Minister of Finance on August 14, 1952.

** In the summer of 1952 the Government handed out at Riyadh a number of the new sovereigns, but this is not to be considered as commencement of issuance as currency.

range because it would be drained away to the various free, gray or black markets for gold bullion. Issuance of the coin could not be justified except for strictly monetary use in Saudi Arabia. Furthermore Saudi Arabia should firmly forbid its export.

The British sovereign at \$12 commands a premium of about 45% over bullion value. It would not be wise to issue the new coin at such a high premium, even if it would be readily acceptable at that figure. Too high a figure may invite counterfeiting, which is not likely if the new coin has a value below that prevailing for the British sovereign. The latter has fluctuated in the past two years between \$13.00 and \$11.50. Also the making of replicas of the British sovereign is encouraged by the above-mentioned Swiss court decision in August, 1952, to the effect that making full weight replicas of these coins is not counterfeiting. This decision of course does not apply to Saudi Arabian sovereigns. Anyone wishing to reproduce gold coins is more likely to turn to the British sovereign, not only because of the influence of this decision but because the latter has a far wider market and a higher price, and disposal of counterfeit Saudi Arabian sovereigns would be much harder.

It will be sound policy, therefore, to sustain the Saudi Arabian sovereign well below the present level of the British sovereign, yet definitely above the value of the new coin's bullion equivalent in accessible outside markets. These criteria set a range of choice between about \$8.90 and \$11.50.

Let us look at the recent history of gold prices. When South Africa began selling in the free gold market in 1949 the price in the more important centers ruled at more than \$45 per ounce. Also in 1949 there was speculative buying of gold in anticipation of the currency devaluations of September, 1949. By the end of 1949 the price had fallen to about \$41, and by June, 1950, before the Korean affair to about \$37. The fall was influenced by both South African sales and by speculative selling after the devaluations. Thereafter the price rose to \$40 in the next six months, but did not go much above \$40 except that for a short time early in 1951 following Chinese Communist intervention in Korea it rose to about \$44.

The Finance Minister announced this rate on October 4, 1951.

between \$37-\$38 is quite sure to stay well above \$35 and probably above \$36.

The action of the International Monetary Fund in September, 1951, in leaving greater latitude to members to determine their respective policies for sale of newly mined gold has had an important effect on the markets for gold bullion. Sales on a larger scale have led to lower prices and there has been greater stability at those levels. The Fund's announcement was followed by a drop of over \$3 from about \$41 to a range of \$37-\$38 in recent months.

I recommend that the new sovereign have a value in the approximate range of \$10.60 to \$11.00, which is equivalent to a gold price of about \$45.00 to \$46.75 per ounce. Sales policies of producing countries seem likely to hold the price below that range except, as stated, in case of the happening or general expectation of large-scale general war, or revaluation of gold generally or by the United States. Short of these contingencies it is quite unlikely that the gold price in accessible outside markets would reach \$45. These contingencies I feel should not now deter Saudi Arabia from issuing the gold coin as a step toward monetary improvement.

The range of value for the new sovereign also has to take account of the rate at which it will be issued in terms of the riyal.* This range, therefore, has to take account of the foreign exchange value of the riyal, as hereinafter explained.

Means to maintain the sovereign's value

If Saudi Arabia issues the new sovereign in the range above recommended, it must be firmly sustained in that range to assure confidence. Thus the Monetary Agency must redeem the coin on demand in unlimited amounts at the lower limit of the range chosen.

Redemption calls for an adequate reserve of dollars or gold deposited in banks of high standing in the United States in the name of the Agency. The reserve must be specially earmarked so that it cannot be used for any purpose other than to maintain the stability of the new sovereign.

As stated, there seems no chance of gold falling below \$35 per ounce, the figure at which the American authorities buy gold. Likewise the free gold price which in September, 1952, ranged

* His Excellency the Finance Minister announced this rate on October 4, 1952, as 40-1.

between \$37-\$38 is quite sure to stay well above \$35 and probably above \$36. The Monetary Agency could readily borrow against the coins if need be up to about \$35 per ounce. The reserve therefore will be adequate if it covers the difference between the monetary value of the coins issued and their value at \$35.

To illustrate: a million new coins issued at \$11 each through the Agency are paid for in dollars, a total of \$11 million, as provided in the draft decree. In the unlikely case that they are all presented for redemption, the gold in them would be worth \$8.24 million at \$35 per ounce, or \$8.70 at \$35 per ounce. And the Agency would hold as earmarked reserve the excess of monetary value over cost, namely \$2.76 million, less expenses of coinage and shipment which are not over about 2%.

The requirement that new coins be issued only through the Agency and their full monetary value paid in dollars thus will automatically create a sufficient reserve. But it is important that this requirement be strictly followed, and that no coins be issued without the prescribed earmarked reserve.

Since the new coin will have a monetary value well above its value as gold bullion, there will be no inducement to export it. Nevertheless its export should be forbidden to make clear that it is to be kept a local coin, and to give protection in case of an unexpected rise, e.g., in the contingencies mentioned.

Position of the British gold sovereign

This well-known coin is widely used in Saudi Arabia, and the Government should avoid action that might adversely affect the value of the British sovereign after issuance of the new sovereign. The new coin, however, may be expected in time to supplant the British sovereign as currency within Saudi Arabia, though some will doubtless continue to hoard British sovereigns. The new coin will be convertible into riyals at a convenient rate which the Monetary Agency will be in position to maintain subject to substantial changes in the world prices of gold or silver. Also it will have an assured value in dollars and be readily convertible into foreign exchange. Thus it should gradually prove attractive.

It is desirable to discourage the making of fresh contracts in British

sovereigns, which have been used extensively in contracts for rentals and in various larger transactions. Hence at a certain time after the Saudi Arabian sovereign is issued it could be decreed that any contracts in terms of British sovereigns would be valid only after payment of a tax of 1% on the amount thereof, the tax rising to 2% after three months.

Position of the riyal

The Monetary Agency should make every effort to maintain a stable rate between the new sovereign and the riyal. But it should not be obliged to maintain a fixed value for the riyal. Long experience shows that to undertake to maintain a definitely fixed rate between the two coins would be a form of bimetallicism which sooner or later would break down. The riyal is a "full weight" coin whose value as money is connected with its value as silver. In particular there is a pull on the riyal whenever its value as silver in foreign markets exceeds its value as money in Saudi Arabia by over 10%-15%. Since export of the riyal is prohibited, this pull works through smuggling. Thus for some time in 1949-50 the riyal's value as silver according to the New York and Bombay prices was so much above its value as money in Saudi Arabia that outward smuggling was great.

At times the riyal's value as money has been depressed by over-rapid issue of newly-coined riyals. This has happened when these have been imported and issued more or less automatically as they arrive, without reference to the riyal's value in foreign exchange or to the level of internal prices. This took place in 1949-50 and again early in 1951. The exchange value of the riyal varied between 30.20 in the spring of 1950 and 30.28 late in the year, and in 1951 there was a similar though smaller swing. In each case this condition was corrected within a few months by smuggling and by local absorption of riyals.

In contrast to the experience in 1949-51 was the situation in the first half of 1952. Then newly-arrived riyals were paid out only as need was shown by a tendency of the riyal to rise in value; the Government otherwise meeting its local currency needs from the proceeds of sales of foreign exchange. Also when necessary the Government bought riyals in anticipation of its need in order to check a slump in the rate. As a result of these measures the

riyal in the first half of 1952 was steadier than in any like period for which data are at hand. The variation was within a range of only about 2% on either side of the average of "middle" rates, i.e., about \$0.27. This stability continued until the latter part of June, when the riyal increased in value to \$0.28-29, influenced by early large demand for the pilgrimage and before arrival of new riyals ordered from Mexico which began to arrive in August.

The Agency can carry out its responsibility to provide a more stable currency not only by sustaining the Saudi Arabian gold sovereign as proposed, but by doing all it can to check the fluctuation of the riyal. The above analysis shows that the Agency can do much to control the riyal. The first means is by regulating the rate of issue of newly-coined riyals. The charter sets forth in Article 4 the following function of the Agency:

"(d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it being understood that coins would be issued only through and at the request of the Agency."

The Government in June and July, 1952, ordered from Mexico SR52 million, most of which should arrive before the end of 1952. With these in hand and with the possibility of getting more when needed, the Agency under existing conditions will be in a position to prevent any undue increase in the internal value of the riyal. It can pay them out as rapidly or as slowly as conditions warrant.

The riyal's appreciation in the summer of 1952 shows that, because of seasonal demand, it will be important to have on hand by May, 1953, an adequate stock of new riyals. Otherwise exchange cannot be controlled. If new coinage orders are needed, they should be placed three months before arrival of the first lots, and in time for arrival of all needed by June 1. Deliveries from Mexico have been made at the rate of about SR10 million monthly. Hence the situation should be reviewed during February, 1953.

Only experience will show to what extent and how rapidly the new sovereign, as a convenient coin of large denomination, will be substituted for riyals in the circulation. All new sovereigns issued should be fully covered in riyals until the Agency finds by experience that these sovereigns will stay in circulation to an extent permitting less than full coverage.

Other action available to the Agency to affect the riyal's value in terms of the new sovereign results from its function as the Government's fiscal agent. In this capacity the Agency will receive and be the depository for all receipts of the Government. The receipts in riyals and new sovereigns will be available to be held or paid out along with those held in reserve. But beyond this is the Agency's function in receiving payments made to the Government in foreign currency, notably as revenue from oil. The Agency can convert these into riyals or new sovereigns, having regard to market conditions. For example, if the Government needs riyals at a time when the riyal is tight and tending to increase in value, the Agency can provide from its riyal reserve the needed riyals and hold foreign currency in their stead. Or if the riyal tends to be redundant and to fall in value, the Agency can buy riyals in the market for Government needs against either foreign exchange or Saudi Arabian gold sovereigns. Also it can buy and hold riyals for its own account against future needs.

Thus the Agency, while not obliged to maintain a fixed rate for the riyal, has powerful resources to check undue fluctuations. It can do much to carry out the Government's intention, as set forth in the decree of His Majesty, to avoid the losses to the Government and people resulting from variations in the value of Saudi Arabia's currency.

The above should be regarded as transitional until the riyal can be established on the basis hereinafter proposed.

The key to the proposed stabilization is the stability of the gold level for the riyal. This level should be chosen with great care so as to ensure the

IV. RATES FOR THE NEW SOVEREIGN AND THE RIYAL

I would emphasize that maintenance by the Agency of rates between the riyal and the Saudi Arabian sovereign depends first upon there being no major changes in world prices of silver and gold. Also it depends upon the Agency having at all times enough of each coin to meet all demand at the rates set. Only readjustment of the riyal on the lines set forth in the following chapter can definitely make possible a firmly held rate between these two coins.

With these principles in mind, and because of the basic position of the riyal in Saudi Arabia and the attitude of the Government and the people, the best policy will be for the Saudi Arabian Monetary Agency acting on the Government's behalf:

1. To bring foreign exchange rates for the riyal under control at the approximate level desired before issuing the new sovereign;
2. To issue the new sovereign equivalent to a specified number of riyals, and to hold the riyal firmly at the specified rate vis-a-vis the sovereign, subject of course to the above principles.

Thus the new sovereign would have a value in foreign exchange in the range above recommended. The agency would firmly prevent it from falling below that range by buying sovereigns and/or riyals for dollars on demand in unlimited amounts. Likewise the Agency would prevent exchange rates from rising above the upper limits of the range by issuing new sovereigns and/or riyals.

The above should be regarded as transitional until the riyal can be readjusted on the lines hereinafter proposed.

The key to the program, therefore, is the choice of the best level for the riyal. This level should be chosen with great care so as to cause the

least possible disturbance, and should be a rate conducive to equilibrium.

The following criteria apply to the choice of the level:

- a. It should be as near as practicable to rates prevailing in the recent past to which the public are accustomed and to which the country's economy has become adjusted.
- b. It should be as little vulnerable as possible to any change in the silver price that is now foreseeable.
- c. It should be a level which the Agency would be able to maintain, subject to major changes in the external or internal value of silver.
- d. It should have a convenient ratio to the new sovereign at the recommended range of \$10.60-\$11.00.
- e. It should as far as practicable fit into a program of subsequent readjustment of the silver and minor currency.

Recent rates

The year preceding July, 1952, saw unusual steadiness in riyal-dollar rates. In the second half of 1951 middle rates averaged SR3.64 per dollar, i.e., about 3:14. In the first half of 1952 middle rates averaged SR3.728 per dollar, i.e., about 3:16. Beginning in late June of 1952, however, the riyal rose in value to as high as 3:09, say 3.40 per dollar; and in the three months of July, August and September, 1952, averaged about 3:11 or 3.50 per dollar.

The following table shows monthly rates from July, 1951:

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by January, 1953. This factor will be aided by the gradual elimination of demand for some speculative liquidation. The new gold sovereign also will be a substitute for some riyals since it is well-established in the circulation, except to the extent that it is substituted for British sovereigns.

Expectation of a new and lower tariff has held back imports and if such a tariff materializes fresh orders of goods may bring out riyals now held by merchants. All of these factors the Agency needs to weigh in determining its rate policy.

The recent and prospective course of rates argues for choice of a level in the approximate range of 3.50 to 3.75 per dollar, i.e., 3:11 to 3:16.

	Average value of riyal		Average	Premium
	Riyals	Dollars	parity	of N.Y.
	per dollar	per riyal	in N.Y.	over Jidda

1951

July	3.629	\$0.276	\$0.311	12.7%
August	3.610	.277	.311	12.3
September	3.623	.276	.311	12.7
October	3.638	.275	.303	10.3
November	3.657	.274	.303	10.6
December	3.685	.272	.303	11.3
Average	3.640	.275	.307	

1952

January	3.742	.268	.303	13.1
February	3.753	.267	.303	13.5
March	3.771	.265	.303	14.3
April	3.737	.268	.303	13.1
May	3.694	.271	.294	8.5
June	3.673	.273	.284	4.4
Average	3.728	.2675	.298	
July	3.458	.288	.285	-0.1
August	3.503	.286	.286	nil
September	3.492	.285	.286	nil

The strengthening of the riyal in the past summer was due partly to the seasonal demand of the pilgrimage. The demand for riyals during the pilgrimage was aggravated by the smaller than usual use of rupees, whose use in the country the Government had restricted last fall, and of Egyptian notes which were less used because of uncertainties in Egypt. Another factor may have been inability to digest the large supply of dollars accruing to Saudi Arabia and also to Kuwait from oil exports, some of which seem to have been converted into riyals.

Issuance of SR52 million of newly coined riyals beginning in early October should bring lower rates. These riyals should all arrive in Saudi Arabia by January, 1953. This factor will be aided by the seasonal slackening of demand and by some speculative liquidation. The new gold sovereign also will be a substitute for some riyals once it is well-established in the circulation, except to the extent that it is substituted for British sovereigns. Expectation of a new and lower tariff has held back imports and if such a tariff materializes fresh orders of goods may bring out riyals now held by merchants. All of these factors the Agency needs to weigh in determining its rate policy.

The recent and prospective course of rates argues for choice of a level in the approximate range of 3.50 to 3.75 per dollar, i.e., 3:11 to 3:16½.

For well over a year the rial has departed but slightly from this range.

Relation of rates to the price of silver

From October, 1951 the New York silver price was \$0.88 until May, when it fell to \$0.82 3/4. Since July 24 up to October 1 it has been \$0.83. Since the rial contains .34375 ounces of fine silver, its bullion parity at \$0.83 is \$0.286. This corresponds to SR3.50 per dollar, and to a market rate of 3:11. The rial is now approximately at its bullion parity with New York and also Bombay, a rather uncommon situation.

Experience shows that there is little risk of smuggling rials out of the country when the rial is not more than 10%-15% below bullion parity. Thus if the present silver price holds, the rial could fall by 10% from 3:11, even to 3:16, without much risk of smuggling.

No one can safely predict the future price of silver. The most practicable assumption for purposes of the Agency's near-term operations is that the price is not likely to rise above \$0.90, since above that figure American production now sold to the U. S. Government would come onto the market, and perhaps also certain American Government silver; and that no drastic fall from the present level is likely unless the general economic situation substantially deteriorates. In short the Agency can base its immediate policy, but of course without commitment for the future, on a price range of about \$0.80-\$0.90.

What of the Bombay silver price? Until March, 1952, the Bombay parity ruled higher than New York. Yet there was no evidence of appreciable smuggling. Since the break in Indian prices in March, 1952, the Indian parity has been below that in New York and is currently equivalent to about \$0.28 which is about the rial's present value. Hence there is no need to worry about Bombay.

The following table shows the relation of various rates to the New York silver price:

Riyals per dollar		Approximate H.Y. silver price corresponding to		Premium of H.Y. silver over Jidda at:		
Decimal figure	Approximate quotation	Parity in dollars	parity	\$0.831	\$0.88	\$0.90
3.500	3:11	80.286	80.83	nil	68	88
3.545	3:12	.282	.82	1	7	10
3.591	3:13	.278	.81	3	9	11
3.636	3:14	.275	.80	4	10	12
3.682	3:15	.272	.79	5	11	14
3.727	3:16	.269	.78	7	13	15
3.773	3:17	.265	.77	8	14	17
4.000	4:00	.250	.73	14	21	23

The above figures show that there is no difficulty about choosing a level between 3:11 and 3:16½, i.e., 3.50 and 3.75, provided that the silver price remains substantially unchanged. It also shows that 3.75 would be all right, though without any margin, at \$0.88; but might be too low a level at \$0.90. Any value for the riyal below 3.75 would run the risk of some smuggling if silver rose to \$0.88-\$0.90.

Feasibility of maintaining a rate in the range of 3:11 to 3:16½

With SR52 million newly coined riyals either arrived or in course of shipment, none of which had been issued prior to October 1, 1952, the Agency has powerful means of meeting the demand for riyals at the initial rate chosen. If, for reasons already stated, this supply does not seem adequate, additional riyals can be ordered. Even though the riyals are issued a little below cost, the maintenance of a level of exchange favorable to Government sale of foreign currency revenue brings advantages which will much more than offset the loss on issue of new riyals. Because of this situation, the Government rather than the Agency should assume any loss on issue of new riyal coins.

Only experience will tell how many riyals and Saudi Arabian sovereigns will be necessary to supply the country's needs at the level of exchange maintained. As to sovereigns, total orders are two million, all of which are due to arrive in October, 1952. Issuance of these, as stated, should be fully covered in riyals until the Agency is satisfied that a smaller coverage will be adequate both to maintain the ratio to the sovereign (subject to substantial changes in world prices of gold or silver), and the level of exchange chosen.

Maintenance of a stable and convenient rate between the new sovereign

and the riyal, subject to the understanding stated, will greatly add to confidence in the new sovereign. This should lead to substitution of sovereigns for riyals. But the addition of new sovereigns may be partly offset in its monetary effects by their substitution for British sovereigns.

Saudi Arabia has a growing demand for money, a material part of which is added to capital held in the form of hoards of coin in the absence of a developed system of credit and investment. Beginning in 1949 Saudi Arabia has issued a total of SR130 million. In 1949-51 many of these were smuggled out because they were issued so rapidly that the value fell too much. But experience indicates that under conditions of prosperity and expansion the country absorbs riyals at the rate of something like SR30 to SR40 million yearly without disturbance of the rate or of internal prices, provided that they are paid out carefully as required.

Can the Agency prevent the riyal from falling? This is not an immediate problem, but rather the reverse--in contrast to the position of many currencies of the world. Prevention of a fall in value of the riyal is not difficult. Under the Stabilization Agreement with the United States, a fund of nearly \$5 million derived from the proceeds of lend-lease silver supplied during the War to provide private interests with dollars is available for purchase of riyals at the equivalent of a silver price of \$0.725. Beyond this, if the Agency accumulates an unduly large stock of riyals, it can if necessary use them as security for a credit to facilitate withholding them, presuming that the Agency would not wish to sell them.

The ultimate solution as discussed in the following chapter is the readjustment of the riyal and substitution of a less expensive coin which the Agency would firmly maintain at a fixed parity with the Saudi Arabian sovereign and at the level of exchange herein recommended.

Ratio of the riyal to the new sovereign

In the preceding chapter it was shown that the new sovereign should have a range of value in foreign exchange of about \$10.60-\$11.00.

A ratio of 40-1 between the riyal and the new sovereign has long been discussed in Saudi Arabia. If this ratio can substantially meet the other criteria herein set forth, and if it is clearly understood that its maintenance

is subject to there being no substantial change in world prices of gold or silver, the choice of 40-1 would have the great advantage of meeting the preference of the Government and the public.

At 40-1 the riyal would have a value of \$0.265-\$0.275. These values correspond to a range of 3:14-3:17 per dollar. If the riyal is not brought to this approximate level, a ratio of 40-1 would give too high a value to the new sovereign, e.g., about \$11.40 at the level of about 3:11 which existed about October 1. Hence unless the riyal is brought to a lower level the ratio of 40-1 is too high.

Relation of the rate to future currency reorganization

While the Government has yet to decide about currency measures to follow issuance of the new sovereign, it is important that the present decision as to the level of rates should facilitate future monetary policy.

Once the new sovereign is successfully introduced, the next measure should be to prepare and issue silver and minor coins on a decimal basis. This will involve acquiring silver for new coinage, either from the market or from riyal stocks. It will involve withdrawing riyals from circulation, first for recoinage and later probably for sale as silver.

Choice of a sovereign-riyal ratio of 40-1 would greatly facilitate a later readjustment of the riyal, if it proves feasible for the Agency to maintain that ratio. Such readjustment is discussed in the next chapter. Also that ratio if it can be maintained for a moderate time would permit revaluing the qirsh at 25 to the riyal or 1,000 to the new sovereign, as discussed in Chapter VI.

It is not easy to foresee the effects of such monetary reorganization on the internal value of the riyal. This coin might attain some scarcity value as it is withdrawn--though its value is not likely to go much above its bullion value. The Agency may well be a seller of silver, since with a fiduciary coinage less silver is likely to be needed in the circulation. Hence the Agency should avoid being put in a position in which it would be called upon to buy an undue amount of riyals at prices above what it could realize.

Conclusion re the initial rate

For reasons stated the choice as to the riyal's level can be narrowed to the range of 3:11 to 3:16½ per dollar, i.e., about \$0.286 and \$0.267 respectively. The higher value almost exactly corresponds to the present parity with New York silver at \$0.83½ (about 3:11). A value above \$0.286 (3:11) would be out of line with exchange rates in the past year. In fact, 3:11 has rarely been exceeded and then only briefly since 1945, and since 1947 this level has been reached only during the summer of 1952. At 3:11 the Government would realize less from its foreign currency income. There is no convincing evidence that choice of a relatively high level would bring any material price decline or add to the effective buying power of the mass of the people. These aims, rather, should be sought on lines other than currency manipulation--by providing stability in exchange, a convenient currency interchangeable without cost, readjustment of tariff duties and improvement of customs administration, and by increased production.

On the other hand a figure below \$0.267 (3:16½) would run into the risk of outward smuggling of riyals. The riyal's value at that figure is about 7% below its value at the New York parity, with silver at \$0.83½. In case the silver price should rise to \$0.88, the premium on smuggling would be 13%. Rates around 3:16½ and a price of \$0.88, however, did not give rise to appreciable smuggling in the first half of 1952.

I favor the following:

1. To bring the riyal to the range 3:14-3:16 or 3:15-3:17, depending on market reactions. The spread would be two qirsh, i.e., about 1% above or below the middle rate. The figures would be:

Riyal-dollar quotation	3:14	3:15	3:16	3:17
Riyal-dollar equivalent	3.636	3.682	3.723	3.773
Value of riyal in dollars	\$ 0.275	\$ 0.272	\$ 0.269	\$ 0.265
Value of sovereign at 40-1	\$11.00	\$10.875	\$10.75	\$10.60

2. To give the new sovereign a dollar value which, depending on the decision as per paragraph 1, would be \$10.60-\$10.88 or \$10.75-\$11.00. At \$10.60 the bullion parity would be about \$45.00 per fine ounce, and at \$11.00 it would be about \$46.75. A level of \$45.00-\$46.75 for gold is not likely to be reached short of war or revaluation

of gold.

Action on the above lines will be an important step toward stability, which the market should gratefully recognize. Also it is in line with the psychology of the Government and the people and the requirements of subsequent monetary reorganization.

Need for a new rial

The present rial has served Saudi Arabia well in the past. But for reasons already explained (see especially discussion of defects of the system in Chapter I), it cannot be relied upon as a stable element in the monetary system. Creation of the Monetary Agency gives Saudi Arabia machinery for doing what is reasonably practicable to steady the rial. But because the rial is a "full weight" silver coin, there can be no assurance as to how long the Agency can hold it stable.

Issuance of a new rial with smaller silver content is the only way to keep the rial within Saudi Arabia's control. It is the only way to provide a system of coins of convenient denominations that are freely exchangeable among themselves at fixed rates, without cost to the holder. The Agency will then be able to maintain fixed rates by adjusting to the demand the quantity of each coin in circulation. The Agency also will be able to provide for convertibility into dollars at stable rates.

Furthermore the Agency can make the new rial interchangeable at par with the present rial so long as there is no major change in the world value of silver or in other basic conditions. This would greatly facilitate the transition to the new system. The Agency, however, cannot be required to keep a fixed rate for the old "full weight" rial, though it can of course do much to minimize fluctuations.

The use of silver coins with a monetary value rigidly maintained above their bullion value is, in my opinion, consistent with Saudi Arabian precedent and tradition. As to precedent, there are the qirsh coins. These have a fixed value of 1/200 rial, but are made of base metal. Because their value is sustained by adjustment of quantity to the public's needs, they are interchangeable for rials at equal value. This situation does not differ from issuing silver coins whose value would be affected by their silver con-

V. READJUSTMENT OF THE RIYAL

Need for a new riyal

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The use of silver coins with a monetary value strictly maintained above their bullion value is, in my opinion, consistent with Saudi Arabian precedent and tradition. As to precedent, there are the qirsh coins. These have a fixed value of 22 per riyal, but are made of base metals. Because their value is sustained by adjustment of quantity to the people's needs, they are exchangeable for riyals at equal value. This situation does not differ from issuing silver coins whose value would not be affected by their silver con-

tent—like the present riyal—but upon the quantity being adjusted to national requirements and upon free convertibility into gold or foreign exchange at a fixed par and without loss to the holder. Thus like the present qirah coins, they would meet the requirement of exchangeability into things of equal value, in accordance with Sharia law.

Issuance of such silver coins would not be debasement of the currency. The term "debasement" properly applies only when a country has and maintains a system of coins that pass current primarily by weight, e.g., a silver standard, and puts out new coins with a smaller amount of bullion and then undertakes to circulate these in unlimited amounts as equal to the old coins in power to buy goods or pay debts. Nothing like that is contemplated in the proposed change. Rather the new coins would be limited in amount to the needs of the circulation at the agreed parity, and would be held firmly at a fixed rate above the value of their metallic content, by free convertibility at par on demand. The content would not be of practical importance to the people using the coins as money any more than is now the value of qirah as metal.

But regardless of the above argument, it may be recalled that the riyal was recoinced about 15 years ago and lighter weight coins substituted for the former large coins. This was justified by His Majesty's power to take important actions that are clearly for the good of the Kingdom. His Majesty was then able readily to reconcile the action with the country's traditions and law. The currency change now proposed is certainly no more drastic than the former recoinage.

Moreover, even under the present system the riyal is sometimes above and sometimes below the value of its silver content. These variations result from such causes as issuance or non-issuance of newly-coined riyals; changes in foreign prices of silver; sales of foreign currencies; restrictions on export of coins; and the extent to which gold sovereigns are put into circulation.

For the above reasons it seems clear that the proposed change can be justified as a matter of law and precedent if His Majesty decides it would be desirable in the interest of the Kingdom.

When should the change to the new currency basis be made? Currency change always involves some trouble and friction, and the country can stand the change best when it is prosperous and the national revenues are high. Furthermore the monetary system is now fairly steady. If the change is to be made, it is better to act while things are going well than when they are going badly, e.g., when the value of the rial cannot be held steady as has happened in the past and may happen again if no action is taken.

Types of currency readjustment used in countries with similar problems

In the past hundred years most of the world has moved from a bi-metallic system of gold and silver, or some type of silver standard, to systems based upon gold. The experience of these countries gives valuable guidance as to what to do and what not to do in effecting currency reforms. The countries whose experience I analyzed were based on silver primarily though some of them also made some use of gold at varying rates. The main types of reform used in shifting to a gold basis are analyzed below:

1. Currency contraction. This method consists in stopping issuance of new money and waiting for growth of population and of business activity to raise the value of the coin above its bullion value by reason of additional demand. Notable examples of this method were the Indian reform of 1893-98 and the Straits Settlement reform of 1903-06.

In 1893 India closed its mints to the free coinage of silver when the exchange value of the rupee was about 15 pence and its silver content was worth about 14 pence. Due partly to this measure the price of silver fell, so that the silver in a rupee was worth only about 10 pence. The exchange value of the rupee fell to about 13 pence; and then gradually rose to 16 pence, where it was stabilized at a level well above bullion parity.

The Straits Settlements reform was similar to that of India in its underlying principle, but its execution was not very good in that there was delay and hesitation in fixing the new exchange value of the currency.

This method of reform is certainly not advisable for Saudi Arabia. Expert opinion generally agrees that this procedure, which raises the foreign exchange value of the currency and depresses prices, causes such needless hardship and disturbance to a country. In Saudi Arabia's case there would

be special objections. So many riyals have been coined, and so many might come out of hoards if their value rose, that no one could tell how long it would take to raise the value. Besides the value of the riyal for some time has been mostly below its bullion value in foreign markets. To assure against melting or export of coins their monetary value would have to be raised, not merely above the present bullion equivalent but above the equivalent at any likely higher price of silver. The price of silver might go well above its present level. Hence this type of reform would mean raising the riyal to well above \$0.30. Such action would have serious deflationary effects. Also it would cause difficulties in Government finance by reducing the number of riyals realized from sale of foreign currency.

2. Fixing a new exchange rate and prompt substitution of new for old currency. Where this method was used with success the Government or the banks have held large amounts of the old silver coin and a favorable silver price has helped the reform. Good examples of this method are the reforms of Japan in 1897-98, of Mexico in 1905-07 and of China in 1935-36.

Japan's procedure was (1) to adopt a new gold yen unit; (2) to redeem the old silver yen in gold at par, which was a little above the yen's bullion value; (3) to sell the silver; and (4) to issue new silver coins of 1/2, 1/5 and 1/10 yen based on the new gold coin. Japan was able to do this both because it held a large foreign currency reserve and because the maximum amount of old silver coins that might be presented for redemption in gold was pretty well known. Aided by a rise in the silver price the reform was accomplished with success.

The Mexican and Chinese reforms were carried out under widely different conditions but had many features in common. In both cases the procedure was to fix a value for the new currency in gold or foreign exchange, to sell silver reserves and substitute reserves of gold and foreign currency, to withdraw and call old silver coins, and to issue new coins and additional paper money based on the new standard in place of the silver coins withdrawn. Mexico received its silver and also issued gold coins and gold certificates. China substituted nickel coins and bank notes. The silver rise that facilitated Mexico's reform was due largely to heavy Indian buying of silver. In China's case the rise was caused by heavy American buying which was intended

India and the Philippines.

to raise the silver price; and the rise had the double effect of causing China to give up the silver standard and making it possible for China to sell its silver at good prices and thus establish currency reserves of gold and foreign exchange. Both of these reforms were successful. They were carried through promptly and caused a minimum of disturbance once they were undertaken.

This general type of silver-standard reform is the most desirable type both preferred it and used it extensively to finance trade with nearby all-when conditions permit. But a prompt readjustment on these lines is not now practicable for Saudi Arabia. First is the fact that the Government and people are not now prepared to adopt such a change. Experience with the transitional expenses in silver was of advantage to producing currencies. Meanwhile, the plan under which the new sovereign and riyal are linked at 40-1, subject to substantial changes in world prices of gold or silver, is necessary before a further step is feasible. Later when the Monetary Agency has shown by actual operations that it can maintain a more stable monetary situation, the time will be ripe for a more fundamental change.

There are several further reasons why a quick change to a new riyal is difficult:

(a) The Government and the banks do not hold a large proportion of the outstanding riyals, which could be collected and recoinced, though there are some holdings of riyals in Riyadh. There is no note issue and hence no holding of note issue reserves.

(b) The existing amount of riyals in the country is not known and cannot be approximately estimated. Total coinage including orders placed in the summer of 1952 is SR270.5 million. But large amounts have been exported or melted and no one can say how much. Because the amount of riyals existing cannot be known, and because of the uncertainty of future silver prices, it would be very risky for the Government to undertake to convert riyals at rates differing much from current market prices of silver.

(c) Large amounts of riyals are held by businesses as working capital and are hoarded by individuals. It is difficult to tell in advance to what extent people may continue to hold them and to what extent these would be presented in the event of conversion.

3. Parallel circulation for some time of old and new coins. This method has been used when conditions do not permit a prompt shift to the new currency basis. Examples are the currency reforms of the Netherlands East

Indies and the Philippines.

In 1877 the Netherlands East Indies adopted the gold standard based upon circulation of Dutch gold coinage, and the existing silver and copper coins of the Indies were tied to gold at a fixed rate. But a large part of the circulation consisted of Spanish, Mexican and other silver coins circulating at their bullion value. The Government permitted the latter silver to circulate in Sumatra and Borneo for nearly 30 years because the people both preferred it and used it extensively to finance trade with nearby silver standard countries. A further reason was the fact that during most of this period silver was depreciating, and payment of local wages and other expenses in silver was of advantage to producing companies. Meanwhile, the government continued to accept silver at about its current market value in payment of taxes, though at a small discount in order to discourage its use. Finally when nearby countries, especially the Straits Settlements, had abandoned silver, it was withdrawn from circulation in the Indies.

The Philippine currency reform of 1903-05 involved fixing a new unit equal to half the American dollar and issuing a new Philippine coinage of silver and copper. The new coins were based on the gold-exchange standard since no gold coins were issued. The value of the new fiduciary coins was maintained by limiting the quantity to the needs of the circulation at the level chosen and redeeming them by drafts in American currency; and was kept from rising by provision for issuing additional coins locally against payment in American currency.

There was difficulty in introducing the new money because its value in foreign exchange was a little above the value of the old Philippine and Mexican silver coins that had long been circulating. The old money went as far as the new in purchases in local markets, but people preferred it both because of habit and because it was cheaper to obtain. To force out the old silver money the authorities proceeded by stages. First they removed the legal tender privilege. Then they transferred all government salaries as well as all taxes and public charges to the new currency. They prohibited import of silver standard money of all kinds. They fixed a date after which the old Philippine money would be redeemed only as silver bullion and at mar-

ket rates. Finally, they passed a law, effective after several months, placing progressively increasing taxes on contracts in the old money and creating high license charges on business houses and individuals making any use of the old currency. By fixing an advance date people were given sufficient time to put their affairs on the new currency basis. These measures were effective in driving out the old money.

silver point to the melting point of the rial.

Conclusion re the plan best adapted to Saudi Arabia

A plan combining features of the second and third types described above is in my opinion best adapted to Saudi Arabia, taking account of present conditions and the attitude of the Government and people. The preferred plan is first to stabilise exchange in a given range as already described, but without immediately introducing a new silver coinage. Later, as soon as the situation permits, a new silver coinage would be introduced.

When the time is ripe for readjusting the rial, some period of parallel circulation of the old and new rials will be necessary. This might be in one of two forms. The first would result if there is no substantial change in world prices of gold or silver such as would upset the 40-1 ratio. In that case new rials with smaller silver content could be substituted smoothly for present rials until they substantially displace the latter in the circulation.

The second form would be if the present rial had to be permitted to rise in value in terms of foreign exchange. In that case the new rial should have a different value, which ought to be lower. The main elements of a plan to meet such a situation are outlined in the section at the end of this chapter entitled, "Alternative method of readjusting the rial". But the first form is much to be preferred if world prices of silver and gold permit its adoption.

The following principles should in my opinion govern the readjustment of the system of silver coins, in the light of the general plan already set forth:

1. The new rial, with the same monetary value as the old, should have a smaller silver content which would be worth face value at a silver price not less than \$1.293 per ounce--thus giving good protection against melting or

export. Having the security edge as hereinafter recommended is not

2. Preferably it should be slightly larger, to make it readily distinguishable and also to sustain confidence.

3. The half and quarter riyal coins should have slightly less silver than the riyal in proportion to value, to have a higher melting point and thus to stay in circulation if some unforeseeable event should raise the silver price to the melting point of the riyal.

4. There should be a 4-riyal coin of the same silver content as the American dollar. Its melting point at the value given would be above \$1.29 per ounce. It would be equal to a tenth of the new sovereign, and fill an important gap in the present system by meeting the demand for a coin of larger denomination than the riyal.

5. All these coins should have an incised "security edge", to prevent counterfeiting.

Silver content

The present riyal, with 165 grains or .34375 ounces of fine silver, is worth \$0.286 as bullion with silver at \$0.83½ per ounce. The riyal's bullion value has exceeded its monetary value during most of the past year, as shown in Chart II, but not by a margin sufficient to cause appreciable smuggling out of the coins. Clearly in a reorganized monetary system the riyal must be given a smaller silver content to avoid risk of the coins going out of circulation, and also to reduce the cost of minting.

Saudi Arabia's silver currency will be well protected if its "melting point" is not less than \$1.293, which is the melting point of the United States silver dollar. The melting point of other United States silver coins is about \$1.38. If the riyal is given a value of about \$0.27 the new coin should contain about 100 grains of fine silver if it is to have a melting point of \$1.293; or about 93.5 grains at \$1.38.

Size, weight and composition of new silver coins

The new riyal preferably should be a little larger than the old. If the fine silver content of the new riyal is reduced, an increase of size would help to sustain confidence. Also a larger size would permit ready sorting

of mixed lots. Having the security edge as hereinafter recommended is not enough to facilitate sorting. The Indian rupee has a security edge and is the same size as the present riyal but of smaller value, hence a rupee could be passed off as a new riyal if only the edge were examined.

The present riyal's diameter is 30.5054 millimeters. I suggest that the new riyal coins be about 31.65 millimeters in diameter, which would make them easily distinguishable.

As to weight, an increase would be unwise because the coin already is bulky. A coin's weight increases proportionately to the square of the diameter, hence a coin 31.65 millimeters in diameter and as thick as the riyal would weigh about 193 grains. To avoid increasing the weight over the present 180 grains the new coin could be slightly thinner.

If the new riyal should have the same weight as the present riyal and be 500 fine it would contain 90 grains of fine silver and its melting point would be about 81.43. That would be a safe figure, as now foreseeable.

The best alloy for the new coin in my judgment would be a quaternary alloy such as is now used in Great Britain, India, and elsewhere consisting of 500 parts silver, 400 copper, 50 zinc and 50 nickel. But nickel is probably not available. Mint experts advise that a suitable alternative is 500 silver, 400 copper and 100 zinc or manganese.

The half and quarter riyal coins may be the same size as at present, but 500 fine. Thus their melting point would be slightly above that of the riyal. They could readily be distinguished from the present coins by the security edge. There is no need to alter the sizes to distinguish them from foreign coins that might easily be substituted.

The proposed new 4-riyal coin, of the same size as the American 900 fine silver dollar, might well have a fineness of 916 $\frac{2}{3}$, the same as the present riyal. This would simplify explaining the new coin. Its melting point at the value proposed would be around 81.40 per ounce of silver, and thus it would be well protected. Possibly this should be the first silver coin to be issued on the new basis.

Summary of proposed silver coins and comparison

Denomination	Weight (grams)	Fineness	Silver content (grams)	Diameter (millimeters)	Thickness (millimeters)
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I. Proposed coins

4 riyal	26.244	916 2/3	24.0570	38.10	2.84
1 "	11.6638	500	5.3459	31.65	1.56
1/2 "	5.8319	500	2.6730	24.3840	1.36
1/4 "	2.9160	500	1.3365	19.5072	1.08

II. Present coins

1 riyal	11.6638	916 2/3	10.6918	30.5054	1.67
1/2 "	5.8319	916 2/3	5.3459	24.3840	1.36
1/4 "	2.9160	916 2/3	2.6730	19.5072	1.08

Quantity of new coins needed

Consideration of the need for riyals must take account of the extent of demand for the new Saudi Arabian gold sovereign.

No one can say how many British gold sovereigns are now in Saudi Arabia. In 1948-50 Aramco brought in about 10 million sovereigns for its payments to the Government. But that was far beyond the country's capacity to absorb money and most of the coins, perhaps as much as 90% were exported.

The number of new sovereigns needed will depend upon public acceptance, and in particular upon how far and how rapidly they are substituted for British sovereigns. With a rate of 40-1 for the riyal as announced by the Minister of Finance October 4, 1952, and an assured value in dollars, there is reason to expect that the Saudi Arabian people will receive the new coin well as a national coin. Substantial amounts will be held as personal and business capital. This will be partly in substitution for British sovereigns, and as an addition to capital funds as the country develops due to developing oil production and the general tendency to progress.

Modernization will gradually lead to increased banking facilities and tend to reduce hoarding. Everything practicable should be done to promote investment in various productive enterprises, rather than to hoard. But monetary habits are slow to change, and hoarding of gold and silver will continue for a long time to come.

It is impossible at present even to guess the quantity of new sovereigns

required. Only experience will tell.

Total coinage of silver is shown by years in Annex I and may be summarized as follows:

To end of 1950	SR143,500,000
1951	50,000,000
1952 (of which a portion is not likely to arrive before the end of the year)	<u>77,000,000</u>
TOTAL	<u>SR270,500,000</u>

Only about SR25 million of the 1952 coinage had been issued as of October 1, 1952.

The above totals include half and quarter riyals worth a total of SR3.5 million. But SR2 million of these constituted a recent order from Mexico and had not been issued as of October 1, 1952. It is not certain that there will be a demand for all of this recent order.

Certainly the quantity of riyals in Saudi Arabia is much below the figure of about SR200 million issued to October 1, 1952. Many riyals have been smuggled out or melted. It has been estimated that SR2 or more million monthly were being smuggled out at certain times in former years when the riyal was at a large discount compared with the price of silver in India and elsewhere. If these figures are correct, and since the smuggling continued for extensive periods, it is possible that the stock of riyals has been reduced to something like SR150 million or even less. While such estimates are in the realm of guess-work, the average per capita holding if in the absence of a census we use the most common population estimate of 6 million might be something like SR20-SR30 or roughly the equivalent of \$5-\$8 at current exchange.

Since the new coins would not be full weight silver coins, they would not be hoarded as extensively as the present riyal. In Saudi Arabia silver coins traditionally have served not only for hand-to-hand circulation, but are held as personal and business capital and take the place of bank deposits and other forms of saving in more highly developed countries. Recent prosperity has added greatly to such holdings, some of which are quite large. Also many riyals are held in Riyadh.

The half and quarter riyals are not usually hoarded but circulate ac-

tively. The fact that only SR1.5 million of these have been issued up to October 1, 1952, tends to confirm that the quantity of riyal coins used for actual hand-to-hand circulation is much less than the total in the country.

Fewer of the new silver coins than the present number of riyals would be needed. Undoubtedly many riyals will continue to be hoarded after currency reorganization has taken place. The proposed new 4-riyal coin, however, might prove quite popular for hoarding.

Only actual experience will show the total quantity of new silver coins needed. But it seems reasonable to guess that the per capita circulation of the new coins might be in the range of SR7-SR12. The requirements would increase gradually from the minimum over a period of time. For 6 million people, the total equivalent would be in the approximate range of 40 to 70 million new riyals.

We may check these figures by comparison with other countries, although it is very difficult to compare per capita circulation of silver coins in different countries. Monetary habits vary. Also the extent of use of paper currency of small denominations differs from country to country. In Egypt, Ethiopia, India, Indonesia and Mexico the per capita circulation of silver coin according to available data has been roughly of the order of \$1.00 per capita. It is around twice that figure in the Philippines.

Allowing for absence of paper money in Saudi Arabia, the above analysis suggests that an initial order of new silver coins equivalent to about \$2.00 per capita is advisable. A first order, therefore, might be for coins with a face value of about \$10,000,000 divided approximately as follows:

<u>Denomination</u>	<u>Pieces</u>	<u>Value in riyals</u>
SR4	2,000,000	SR 8,000,000
1	30,000,000	30,000,000
$\frac{1}{2}$	1,500,000	750,000
$\frac{1}{4}$	1,000,000	250,000
TOTAL		<u>SR39,000,000</u>

The reason for proposing so small an initial issue of half and quarter riyals is that total issue of coins of similar value ($\frac{1}{2}$ and $\frac{1}{4}$ riyal) as of October 1, 1952, is only SR1.5 million worth about \$400,000.

Arrangements should be made for prompt execution of orders placed ahead for making additional silver and minor coins to meet further demand as it develops.

The demand, as stated above, might call for a total of these coins worth \$12-\$24 million in the not distant future.

On the basis of the fine silver content of coins now contemplated, the cost of such an order of coins worth \$10,000,000 would be about \$5,500,000 with silver at \$0.83½ per ounce. It would require about 6,500,000 fine ounces of silver. Hence the gross seignorage profit would be about \$4,500,000 and the net seignorage should be over 40%.

Maintenance of parity of the new coins

The basic way to assure that the coins remain at parity and neither rise above or fall below the value set in terms of foreign exchange is to adjust the quantity of each kind of coin to the demand. The Monetary Agency will prevent an increase in value by issuing more coins when required, i.e., when their value tends to rise in terms of foreign exchange. In that case the public will seek to buy riyals from the banks, and the banks in turn will come to the Agency. On the other hand, if the value tends to fall in foreign exchange, riyals will be presented to the banks and by them to the Agency, which will sell the exchange and withdraw the riyals from circulation. The Agency thus will regulate the amount of money needed at the fixed level of foreign exchange.

To do this the Agency needs a reserve, or regulator fund. The first source of this fund is the seignorage or the amount by which the value of the coins as money exceeds their cost. On the basis proposed this fund will amount to about 40% of the value of silver coins issued, if we assume that the price of silver remains at \$0.83½ per ounce.

It is most unlikely that the Agency will need to use as much as 40% to redeem coins presented to it. Long before the 40% would be used up the circulation would be contracted so that the value of the remaining coins would rise. But in the early period of monetary reorganization there might be some tendency of people to call for redemption until they are sure that they can get full value for the new coins. There are adequate means to meet any such demand under the plan proposed.

There is the Stabilization Fund of nearly \$5 million set up by agreement with the American Government. This fund may be used to buy and hold Saudi

Arabian silver coins, figured at a price of \$0.72 $\frac{1}{2}$ per ounce. This fund further buttresses the currency.

Finally the Agency could borrow against the silver contained in coins handed in for redemption, and thus find if necessary enough additional funds to redeem practically the entire issue--to take an extreme case.

Once the new currency is firmly established the new system should work smoothly. It will be of special value to provide the extra amount of money which is needed at the time of the pilgrimage. The pilgrims will sell foreign exchange for local currency to meet their expenses in Saudi Arabia. The monetary circulation will then expand. After the pilgrimage the surplus money will come back to the Agency, which will then withdraw it until it is again needed as evidenced by a tendency of exchange rates to rise.

The reserve also will enable the Agency to withdraw local currency if at some future time there might temporarily be a lessening of business activity, e.g., in case of a slump in world demand for oil. The Government should build up and lodge with the Agency a large reserve against this contingency. Furthermore under present international conditions the Agency should hold a sizeable reserve which would be available for use in coping with disturbances due to war or threat of war.

Summarizing, the reserve fund would be created as follows:

1. By the Agency issuing all the coins for their full monetary

value, and setting aside the amount by which receipts exceed

cost, say 40%;

2. By use of the Stabilization Fund; and

3. By borrowing against the silver content of coins presented

for redemption, if necessary.

The reserve fund would be a trust fund to be earmarked only for the following purposes and none other:

1. Payment of drafts and/or telegraphic transfers to redeem

local money in foreign currency;

2. Costs of coining money and bringing it to Saudi Arabia.

The reserve would be held in the form of gold bars and Saudi Arabian gold coins in the Agency's vaults and/or abroad in banks of high standing, at

the rate of \$35 per fine ounce; or in deposits in banks of high standing in New York.

A table containing a calculation of reserve for different amounts of silver coins issued is given as Annex V.

Alternative method of readjusting the rial

If as is hoped the rial can be held steady at 40 to the new gold sovereign, and at about \$0.27, the currency plan above set forth will be the simplest and best. But if before that plan is put into operation there should be major developments that move the value of the rial, such as a rise in the silver price, changes in the plan will become necessary.

In that case the Government could issue a new silver coin valued at either $\frac{1}{40}$ th or $\frac{1}{50}$ th of the sovereign. To facilitate introducing such a coin, it should have a value definitely below the value of the rial at the time or its prospective value. To choose a higher value would make it harder for the new money to gain acceptance, because of having a smaller silver content.

Choice of a rate of $\frac{1}{50}$ th would probably be better than $\frac{1}{40}$ th. The coin then would be an entirely new one. Its introduction would be easier if the old rial could be held steady at a rate bearing a simple relation to the new coin, such as five rials equal to seven of the new coin, or two equal to three.

If the readjustment has to be of this type, a fairly extended period of transition with parallel circulation of both kinds of coins would be necessary. The Government should encourage in every practicable way circulation of the new coin and, after it is well established in the people's confidence, commence pressure against use of the old. During any period of parallel circulation shops could be required to publish the rates at which they will accept both currencies, to prevent misunderstanding as well as to prevent discrimination against the new coins. Also the Government could fix favorable rates for acceptance of the new coins for taxes, to encourage their use. Finally when the new coins are in preponderant use there might be special discriminatory taxes on purchases and sales in terms of the older coins.

Composition of new qirah coins

If nickel is obtainable for coinage of cupro-nickel coins like the present ones, the change to the new rate of 25 per riyal would be easier

if the new coins were exactly like the old. The public would accept the change more readily. But coinage of the quantity recommended below would require about 64,000 pounds of nickel and since nickel is subject to allocation it is doubtful whether this amount could be obtained. Also about 100,000 pounds of copper would be needed, and copper is scarce and subject to allocation. In any case allocation would mean considerable delay.

VI. READJUSTMENT OF MINOR COINAGE

Present situation

The qirah (1/22 riyal) and its subdivisions are represented by the following coins:

Denomination	Weight (grams)	Composition	Diameter (millimeters)	Thickness (millimeters)
1 qirah	6.5	(75% copper)	26	1.455
$\frac{1}{2}$ "	5.5	(and)	23	1.45
$\frac{1}{4}$ "	4.25	(25% nickel)	20	1.405

Total coinage of these, which were made in 1947 in the United States Mint, was:

	Number	Value in riyals
1 qirah	7,150,000	SR325,000
$\frac{1}{2}$ "	10,850,000	246,591
$\frac{1}{4}$ "	21,500,000	244,318
Total		SR815,909

The rate of the qirah

The rate of 22 qirah per riyal is odd and inconvenient and as soon as practicable should be changed to 25. This would involve a slight depreciation of the qirah, but this would soon be accepted and should cause little disturbance. Since no individual holds many qirah coins, no one should suffer any appreciable loss.

This change, if in the meantime the rate of 40-1 is maintained between the riyal and the new sovereign, would make 1,000 qirah equal one sovereign.

The present quantity of qirah coins is inadequate, and in some places they have gone to a premium over 22 per riyal, i.e., to 18 or 19, at times of peak demand for money. More qirah and $\frac{1}{4}$ qirah coins are needed, especially if the value is to be reduced. The $\frac{1}{4}$ qirah coin is in small demand and not many more of these are needed.

Composition of new qirsh coins

If nickel is obtainable for coinage of cupro-nickel coins like the present ones, the change to the new rate of 25 per riyal would be easier if the new coins were exactly like the old. The public would accept the change more readily. But coinage of the quantity recommended below would require about 64,500 pounds of nickel and since nickel is subject to allocation it is doubtful whether this amount could be obtained.* Also about 193,500 pounds of copper would be needed, and copper is scarce and subject to allocation. In any case allocation would mean considerable delay.

If nickel proves unavailable, there is a choice between coins of (a) aluminum alloy, and (b) chrome steel. Both are durable and make attractive coins. Many countries successfully use aluminum coins. Chrome steel is a newer alloy developed by the United States mint authorities and which they consider makes good coins.

Assuming nickel is not available, I recommend using chrome steel. It has the merit of being heavier and more similar in appearance to the existing qirsh.

If chrome steel coins are made, they should be of the same size as the present coins. If, however, aluminum is used, the coins should have the same diameter as the present coins but should be somewhat thicker because of their relatively light weight. I suggest for the qirsh coin a thickness of approximately 1.9 to 2.0 millimeters, or about a third greater than the present coins. The exact thickness could be determined on the basis of sample blanks to be approved before the order is manufactured. The Italian aluminum-magnesium-manganese coins are attractive and durable and I would favor use of a similar formula for new Saudi Arabian minor coins if made of aluminum alloy.

* The calculation of weights based on the quantity hereinafter recommended is as follows:

Coin	No. of pieces	Grams weight per coin	Total weight kgs.
1 qirsh	8,000,000	6.5	52,000
$\frac{1}{2}$ "	8,000,000	5.5	44,000
$\frac{1}{4}$ "	5,000,000	4.25	21,250
TOTAL			117,250

This weight of 117,250 kg. would comprise 29,312.5 kg. (25%) nickel and 87,937.5 kg. (75%) copper.

In any case the existing dies can be used.

Quantity needed

There is no present need to replace the existing cupre-nickel qirsh coins. This could be considered later in order to make the circulation uniform. Old and new coins could circulate interchangeably, and the Saudi Arabian Monetary Agency could maintain them at par and adjust the quantity in circulation to the demand.

I suggest ordering in the first instance the quantities and denominations stated below:

<u>Denomination</u>	<u>Number of coins</u>	<u>Value in riyals</u>
1 qirsh	8,000,000	SR320,000
$\frac{1}{2}$ "	8,000,000	160,000
$\frac{1}{4}$ "	5,000,000	<u>50,000</u>
	TOTAL	SR530,000

Such an order would increase the present total circulation of about SR816,000 by nearly 60%. It should suffice both to meet the further need for qirsh coins and to hold a lower rate of 25 qirsh per riyal.

ANNEX I

SAUDI ARABIAN COINAGE

(Data for 1936-50 inclusive are from the U.S. Mint annual reports)

I. Silver

<u>Year</u>	<u>Total</u>	<u>Cumulative</u>
1936	2,500,000	2,500,000
1937	3,000,000	5,500,000
1938	1,310,698	6,810,698
1939	389,302	7,200,000
1940	1,000,000	8,200,000
1941	NA	8,200,000
1942	NA	8,200,000
1943	NA	8,200,000
1944	30,000,000	38,200,000
1945	17,000,000	55,200,000
1946 (a)	10,288,000	65,488,000
1947 (b)	14,712,000	80,200,000
1948	3,300,000	83,500,000
1949	60,000,000	143,500,000
1950	nil	143,500,000
1951	50,000,000	193,500,000
1952 (c)	77,000,000	270,500,000

(a) Includes 500,000 in $\frac{1}{2}$ riyals and 500,000 in $\frac{1}{4}$ riyals.

(b) Includes 250,000 in $\frac{1}{2}$ riyals and 250,000 in $\frac{1}{4}$ riyals.

(c) Includes 1,000,000 in $\frac{1}{2}$ riyals and 1,000,000 in $\frac{1}{4}$ riyals. The 1952 figures also comprise 25,000,000 riyals ordered in 1951 but received early in 1952 and 52,000,000 riyals ordered in 1952 whose delivery is not likely to be completed until January, 1953.

II. Minor coins

The following cupro-nickel coins were obtained in 1947:

	<u>Number</u>	<u>Value in riyals</u>
1 qirsh	7,150,000	SR325,000
$\frac{1}{2}$ qirsh	10,850,000	246,591
$\frac{1}{4}$ qirsh	21,500,000	244,318
TOTAL		<u>SR815,909</u>

III. Gold

As of October 1, 1952, the following Saudi Arabian gold sovereigns have been coined or ordered but not officially issued:

	<u>Number</u>
1951	1,000,000
1952	<u>1,000,000</u>
TOTAL	<u>2,000,000</u>

In 1945 and 1947 orders for 91,210 and 121,364 gold discs respectively were executed in the United States.

IV. Place of minting

In 1944-49, 72,000,000 riyals were ordered in the United States; in 1949, 20,000,000 in England; and in 1949-52, 157,000,000 in Mexico.

ANNEX II

BRITISH SOVEREIGN AND SOVEREIGN-RIYAL
RATES OF EXCHANGE AT JIDDA, 1945 - 52

Source: Netherlands Trading Society and Banque de l'Indochine daily records, except that sovereign quotations to April, 1947, are from Aramco.

	British Sovereign, George Head In Riyals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1945				
Aug. 15 - 31	61.00	57.75	19.00	19.00
September	63.00	57.50	21.00	19.00
October	66.41	60.75	21.00	18.50
November	70.00	65.41	19.00	19.00
December	71.25	67.25	19.00	19.00
Year 1945 from Aug. 15	71.25	57.50	21.00	18.50
1946				
January	74.00	70.00	19.00	18.00
February	84.25	73.86	18.50	18.00
March	89.00	79.50	20.00	19.00
April	80.75	72.36	20.00	19.00
May	74.50	66.75	19.00	19.00
June	69.00	66.25	19.00	18.00
July	68.68	61.50	18.00	18.00
August	63.75	62.00	18.00	18.00
September	63.25	60.00	18.00	18.00
October	67.50	60.50	18.00	18.00
November	67.00	65.00	18.00	18.00
December	69.50	67.00	18.00	17.00
Year 1946	89.00	60.00	20.00	17.50
1947				
January	68.50	67.50	18.00	17.00
February	68.50	67.50	18.00	17.50
March	68.25	65.75	17.50	17.00
April	66.91	60.00	15.25	15.00
May	61.00	58.00	15.25	14.75
June	64.50	60.00	14.75	14.25
July	64.50	61.75	14.50	14.00
August	62.00	61.25	14.50	14.00
September	69.50	62.00	14.50	14.00
October	68.00	66.50	14.30	14.25
November	68.25	67.00	14.50	14.25
December	69.00	68.00	16.50	14.30
Year 1947	69.00	58.00	16.50	14.00

	British Sovereign, George Head In Riyals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1948				
January	68.00	63.25	16.00	13.75
February	66.00	62.50	14.75	13.50
March	66.14	65.00	15.00	14.00
April	64.68	63.25	14.25	12.75
May	63.00	61.45	13.00	13.00
June	65.00	61.00	13.50	13.05
July	65.00	62.00	---	---
August	62.00	61.00	14.30	13.60
September	60.25	54.00	13.90	13.70
October	57.50	54.25	14.05	13.25
November	57.00	52.75	13.30	13.20
December	53.25	52.25	13.25	13.13
Year 1948	68.00	52.25	16.00	12.75
1949				
January	52.50	48.00	13.13	12.25
February	51.25	47.25	12.75	12.00
March	49.75	45.00	12.50	11.70
April	53.50	50.00	13.25	12.60
May	57.50	53.50	13.10	12.65
June	57.75	56.25	12.75	12.40
July	60.00	57.00	12.25	11.95
August	60.00	58.75	12.40	12.10
September	59.75	56.50	12.50	12.40
October	61.00	58.00	12.80	12.70
November	62.25	57.50	12.90	12.40
December	59.00	58.00	12.40	11.65
Year 1949	62.25	45.00	13.25	11.65
1950				
January	58.75	57.50	11.65	11.20
February	58.09	56.00	11.35	11.15
March	56.75	51.00	11.34	10.95
April	54.50	53.50	11.15	10.90
May	53.75	52.25	10.88	10.65
June	52.00	47.50	11.00	10.25
July	49.50	47.50	11.15	10.30
August	49.25	48.00	11.45	11.00
September	48.25	46.50	12.00	11.50
October	49.25	46.50	11.90	11.45
November	47.00	45.00	11.60	11.27
December	45.25	41.00	11.66	11.32
Year 1950	58.75	41.00	12.00	10.25

	British Sovereign, George Head In Rivals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1951				
January	46.25	42.25	12.90	11.70
February	46.00	45.00	12.00	12.00
March	46.50	45.25	12.08	12.00
April	48.25	46.25	12.20	12.00
May	49.32	47.00	12.75	12.23
June	47.25	45.50	13.00	12.65
July	46.00	44.91	12.65	12.48
August	45.50	45.00	12.60	12.48
September	46.36	45.27	12.76	12.53
October	47.00	46.00	12.76	12.70
November	46.55	46.00	12.74	12.55
December	45.82	44.75	12.49	11.92
Year 1951	49.32	42.25	13.00	11.70
1952				
January	45.14	44.82	12.06	11.98
February	45.09	44.91	12.02	11.90
March	45.00	44.86	12.03	11.78
April	44.91	44.36	12.08	11.95
May	44.64	44.36	12.13	12.00
June	44.46	42.82	12.06	11.98
July	43.00	40.75	12.15	11.98
August	42.64	41.75	12.12	11.97
September	42.77	42.33	12.18	12.08
Year 1952, 9 months	45.14	40.75	12.18	11.78

ANNEX III

EXCHANGE VALUE OF THE RIYAL AT JIDDA COMPARED WITH VALUE OF
SAME WEIGHT OF SILVER AT NEW YORK AND BOMBAY

(Bombay prices are converted to dollars based on the rupee's value in the free market at Jidda and are monthly averages except that figures since May, 1951, are for mid-month)

Date	Riyal value mid-month	Riyal parity in terms of average silver price at:		Date	Riyal value mid-month	Riyal parity in terms of average silver price at:	
		New York	Bombay			New York	Bombay
<u>1946</u>							
Jan.	.25	.243	.288	<u>1950</u>			
Feb.	.232	.243	.299	Jan.	.203	.252	.301
Mar.	.241	.243	.356	Feb.	.196	.252	.314
Apr.	.255	.243	.403	Mar.	.204	.251	.321
May	.268	.243	.480	Apr.	.205	.247	.323
June	.27	.243	.445	May	.203	.25	.339
July	.271	.31	.408	June	.218	.25	.326
Aug.	.276	.31	.412	July	.227	.25	.321
Sep.	.29	.31	.390	Aug.	.236	.25	.316
Oct.	.29	.309	.387	Sep.	.252	.25	.316
Nov.	.276	.31	.355	Oct.	.243	.258	.321
Dec.	.265	.298	.333	Nov.	.247	.276	.312
				Dec.	.259	.276	.317
<u>1947</u>							
Jan.	.265	.262	.353	<u>1951</u>			
Feb.	.256	.248	.364	Jan.	.273	.303	.329
Mar.	.262	.265	.392	Feb.	.263	.311	.341
Apr.	.265	.259	.424	Mar.	.266	.311	.338
May	.291	.249	.42	Apr.	.26	.311	.351
June	.245	.229	.406	May	.249	.311	.356
July	.238	.218	.367	June	.276	.305	.36
Aug.	.243	.226	.389	July	.276	.311	.334
Sep.	.229	.242	.342	Aug.	.278	.311	.319
Oct.	.241	.246	.314	Sep.	.277	.311	.310
Nov.	.236	.256	.326	Oct.	.275	.303	.305
Dec.	.235	.256	.380	Nov.	.274	.303	.307
				Dec.	.273	.303	.296
<u>1948</u>							
Jan.	.227	.256	.369	<u>1952</u>			
Feb.	.234	.256	.324	Jan.	.268	.303	.322
Mar.	.236	.256	.334	Feb.	.266	.303	.304
Apr.	.226	.256	.331	Mar.	.264	.303	.268
May	.216	.256	.331	Apr.	.267	.303	.280
June	.22	.256	.339	May	.272	.295	.285
July	.228	.256	.357	June	.273	.284	.265
Aug.	.236	.253	.37	July	.290	.285	.277
Sep.	.244	.258	.357	Aug.	.283	.286	.290
Oct.	.255	.265	.363	Sep.	.288	.286	.289
Nov.	.24	.252	.331				
Dec.	.249	.24	.374				
<u>1949</u>							
Jan.	.248	.24	.377				
Feb.	.252	.243	.404				
Mar.	.252	.246	.407				
Apr.	.255	.246	.388				
May	.228	.246	.378				
June	.222	.246	.371				
July	.203	.246	.317				
Aug.	.208	.247	.298				
Sep.	.221	.2515	.30				
Oct.	.217	.252	.301				
Nov.	.216	.252	.305				
Dec.	.206	.252	.291				

DECREE[⌘]

No. 30/4/1/1046

Date: 25 Rajab 1371
(April 20, 1952)

With the Help of God Almighty,

We Abdul-Aziz Ibn Abdul-Rahman Al-Faisal, King of Saudi Arabia,

In view of what our Minister of Finance has submitted to Us, and in view of the fact that the necessary measures to be taken to strengthen the currency of the State and to stabilize its value and to fix this value in relation to foreign currencies are necessitated by the interest of the State and people, and also to avoid the losses resulting to the Treasury and the people from fluctuations in the value of foreign currencies resulting because there is no fixed and stable value for the Saudi Arabian currency in relation to foreign currencies,

We therefore ordain the following:

Article 1. There is hereby created according to these regulations an institution to be called "Saudi Arabian Monetary Agency," the main operating office in which it shall start its functions to be in Jidda. It shall have branches and agencies in the places where required.

Article 2. The functions of this Agency shall be:

First: To strengthen the currency of the State and to stabilize its value and to fix its value in relation to foreign currencies.

Second: To aid the Ministry of Finance in centralizing the receipts and expenditures of the Government, and in controlling expenditures in accordance with the items of the authorized budget.

Third: The Agency shall neither charge nor pay any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic Law.

.....

⌘

The two Decrees, 30/4/1/1046, and 30/4/1/1047, and the Charter were published in the Supplement to the Official Gazette, Om el Qura, No.1410, dated 3 Shaban, 1371 (April 27, 1952)

D E C R E E

No. 30/4/1/1047

Date: 25 Rajab 1371
(April 20, 1952)

With the Help of God Almighty,

We Abdul-Aziz Ibn Abdul-Rahman Al-Faisal, King of Saudi Arabia,
Upon seeing the Decree No. 30/4/1/1046 issued 25 Rajab 1371 and
the Charter for the Saudi Arabian Monetary Agency, which is
attached to this Order and which consists of twelve articles, and
In view of what Our Minister of Finance has submitted to Us,
We ordain the following:
The Charter for the Saudi Arabian Monetary Agency referred to
above and attached to this Order is hereby sanctioned, and We
order putting it into effect.

CHARTER OF THE SAUDI ARABIAN MONETARY AGENCY

I. Creation and Objects

1. There is hereby created according to these regulations an Institution to be called "Saudi Arabian Monetary Agency", the main operating office in which it shall start its function to be in Jidda. It shall have branches and agencies in the places where required.

2. The objects of the Agency shall be:

- (a) To strengthen the currency of Saudi Arabia and to stabilize it in relation to foreign currencies, and to avoid the losses resulting to the Government and the people from fluctuations in the exchange value of Saudi Arabian coins whose rates have not so far been fixed in relation to foreign currencies which form the major part of the Government's income.
- (b) To aid the Ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget.

II. Capital

3. The Agency shall have an authorized capital equivalent to 500,000 gold sovereigns (calculated at \$12.00 and equivalent to \$6,000,000). The Government shall provide the entire capital of the Agency. At least two-thirds of the capital shall be paid in prior to commencement of operations. Paid in capital shall include the value of a building or buildings and equipment which the Government may provide.

III. Operations

4. The Agency shall have the following functions in relation to currency:

- (a) To stabilize and maintain the external and internal value of the currency.
- (b) To hold and operate any monetary reserve funds as separate funds earmarked for monetary purposes only.
- (c) To buy and sell for Government account gold and silver coin and bullion.

- (d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it being understood that coins would be issued only through and at the request of the Agency.
- (e) To regulate commercial banks, exchange dealers and money changers as may be found appropriate.

5. The Agency shall aid the Ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget. To that end the Agency shall have the following functions:

- (a) To receive and act as depositary for all revenues including receipts from concessionaire companies, from customs, from the Haj and from other sources, and to maintain deposit accounts under such heads as the Government through the Minister of Finance may direct.
- (b) To act as agent for the Government in paying out funds for purposes duly approved by the Government through the Minister of Finance.

6. The Agency shall establish a Research Department to collect and analyze data needed to aid the Government and the Agency in formulating and carrying out financial and economic policies.

7. The Agency shall not charge any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic Law. The Agency shall not undertake any of the following functions:

- (a) Paying or receiving interest.
- (b) Receiving private deposits.
- (c) Making advances to the Government or to private parties.
- (d) Engaging in trade or having an interest in any commercial, industrial or agricultural enterprise.
- (e) Buying or holding fixed property except what the Agency reasonably needs for its operations.
- (f) Issuing currency notes.

IV. Direction and Administration

8. The Agency shall be under the control of a Board of Directors which shall be generally responsible for its efficient administration and operation and shall have such powers as are necessary and appropriate to that end. The Board of Directors may make such rules and regulations as it may consider necessary and appropriate to the conduct of the work of the Agency in accordance with this charter. In the event that changes in this charter are found necessary, the Board of Directors shall recommend them to the Government through the Minister of Finance.

9. The Agency in the name "Saudi Arabian Monetary Agency shall be a corporation with continuing succession. The Agency is authorized to take such action as may be necessary and appropriate to give effect to this charter including, but without thereby limiting its authority, authority to make contracts, to acquire and hold and pledge assets, and to incur such liabilities as are necessary and appropriate to the conduct of its operations.

10. The Board of Directors shall consist of a President, a Vice-President, a Governor of the Agency, and two other members. These shall be appointed by an order of His Majesty the King upon nomination by the Minister of Finance.

11. The Minister of Finance shall nominate the Governor of the Agency and obtain an order for his appointment from His Majesty the King. The Governor shall not be removed from office except by an order from His Majesty the King.

V. Reports and Audit

12. The Agency shall render to the Government through the Minister of Finance monthly reports of its operations. The Agency shall be subject to audit by auditors appointed by the Government.

ROYAL DECREE

No. 30/4/1/1743

With the help of God Almighty,

We Abdul-Aziz Ibn-Abdul-Rahman Al-Faisal, King
of Saudi Arabia,

Upon seeing the Decree No.30/4/1/1046 issued 25th
Rajab 1371, and

In view of what our Minister of Finance has sub-
mitted to us in No.7281 dated 7th Thu Al-Qi'dah, 1371,

We ordain the following:-

ARTICLE 1: Mr. George A. Blowers shall be appoint-
ed as Governor of the Saudi Arabian Monetary Agency.

ARTICLE 2: The Minister of Finance shall put this
order into effect.

COPY OF ROYAL DECREE

No.30/4/1/1744
Date, 14th Thu Al-Qi'dah, 1371.

With the help of God Almighty,

We Abdul-Aziz Ibn-Abdul-Rahman Al-Faisal, King of Saudi Arabia,
upon seeing the Decree No.30/4/1/1046 issued 25th Rajab 1371, and

In view of what our Minister of Finance has submitted to us in
No.7352 dated 12th Thu Al Qi'dah 1371,

We ordain the following:-

ARTICLE 1: The Board of Directors of the Saudi Arabian Monetary
Agency shall be composed of the following persons:

President	Abdullah Al-Suleiman
Vice-President	Najib Ibrahim Salha
Governor	Mr. Geo. A. Blowers
Member	Fussein Attas
Member	Salem Bin Mahfooz
Member	Rasem Al-Khalidi

ARTICLE 2: The Minister of Finance shall put this order into
effect.

ANNEX V

CALCULATION OF RESERVE FOR SILVER COINS

(Amount in millions)

New silver coins issued*	Stabilization Fund: Amt. available if coins bought at \$.725 per oz.	Seignorage at 40% based on silver at \$.83¼ per oz.	Amount that could be borrowed at \$.70 per oz. on silver coins held by the Agency, over and above those bought by the Stabilization Fund		Total reserve available: total of columns marked (1) (2) & (3)	Per cent of reserve to issue		
Value	Fine silver content, oz., approx.	Silver bought, ounces	Cost	Silver available, ounces	Amount borrowed	Cash		
		(1)	(2)		(3)			
\$10	6.6	6.5	\$4.7	\$ 4.0	.1	\$.07	\$ 8.77	88%
15	9.9	6.5	4.7	6.0	3.3	2.31	13.01	87
20	13.2	6.5	4.7	8.0	6.7	4.69	17.39	87
25	16.5	6.5	4.7	10.0	10.0	7.00	21.70	87

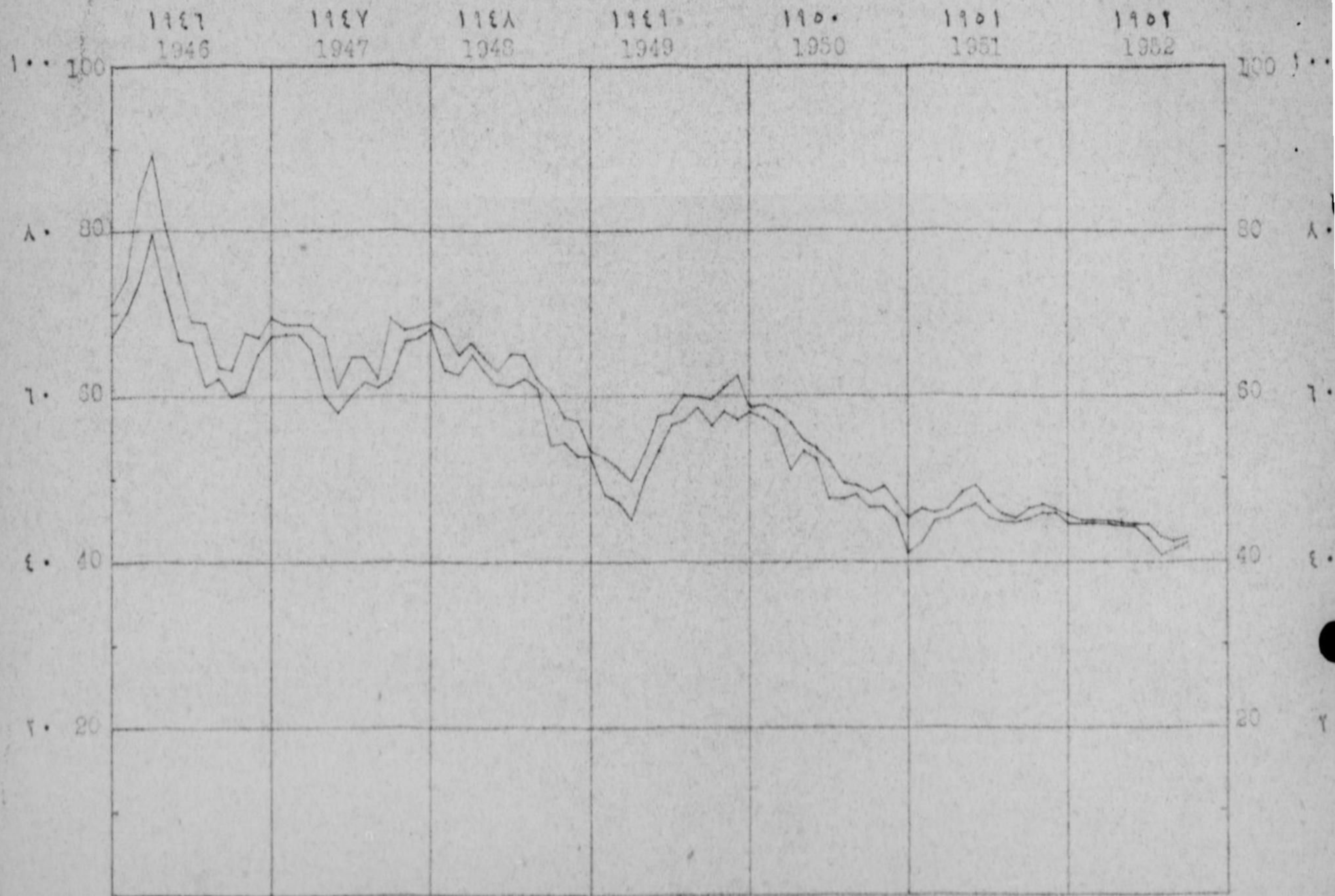
* The fine silver content of these coins is figured on the assumption that 22% are 4-riyal coins, 75% are riyals, and 3% fractional silver coins.

سعر الجنيه الذهب (جورج) بالريالات في جدة خلال ١١٤٦ - ١٩٥٢

Riyal Sovereign (George Head) rates at Jidda : range 1946 - 1952

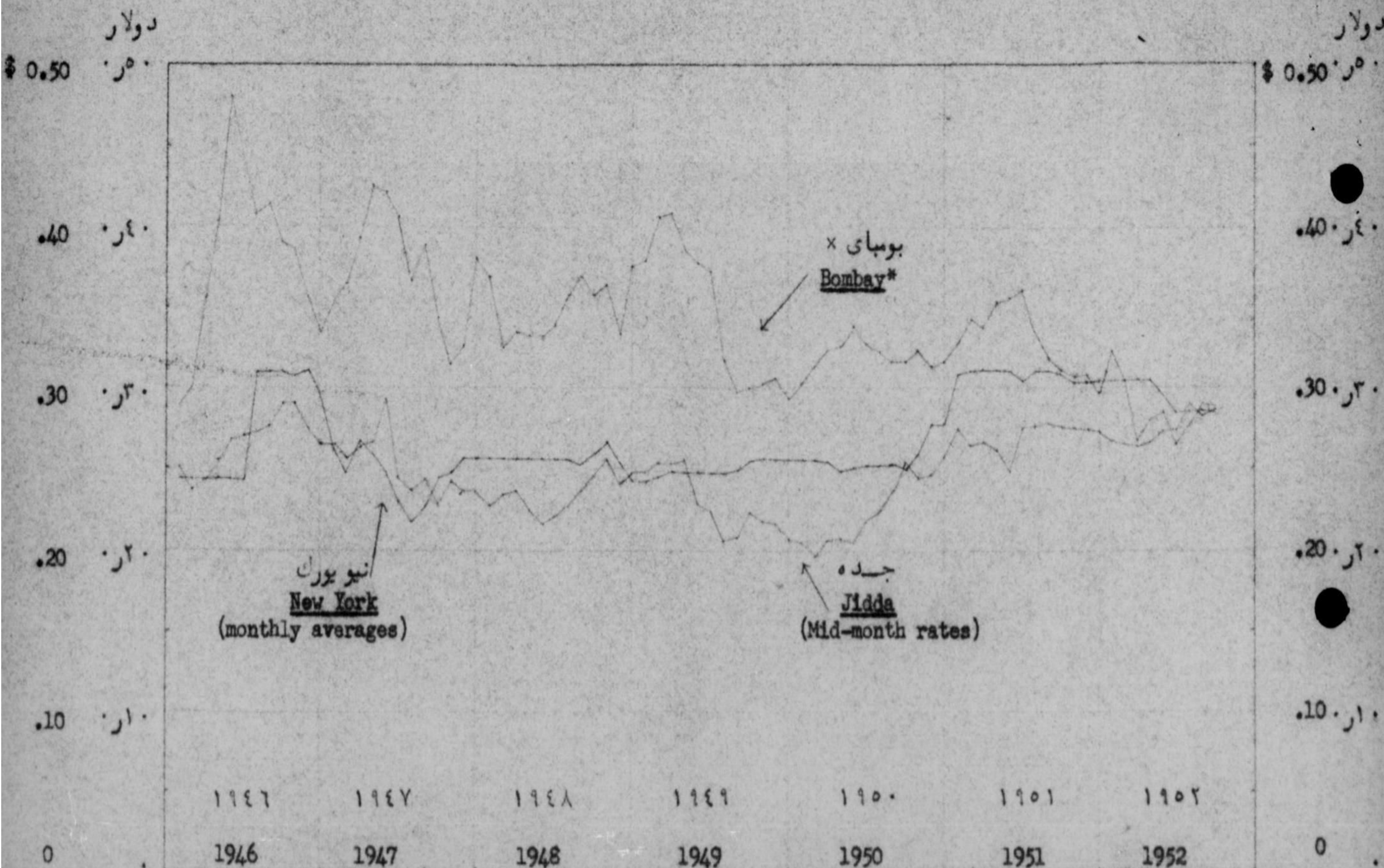
سعر الجنيه بالريالات
Riyals per
Sovereign

سعر الجنيه بالريالات
Riyals per
Sovereign



قيمة الريال بالدولارات الأمريكية في سوق جدة مقارنة مع قيمة ما يحويه من الفضة في نيويورك وبومباي *

EXCHANGE VALUE OF THE RIYAL AT JIDDA COMPARED WITH VALUE OF SAME WEIGHT OF SILVER AT
NEW YORK AND BOMBAY*



* أسعار بومباي محولة الى دولارات على اساس قيمة الروبية في سوق جدة الحرة وهي معدل الاسعار الشهرية ما عدى الاسعار منذ شهر مايو ١٩٥١ فهي اسعار نصف الشهر.

* Bombay prices are converted to dollars based on the rupee's value in the free market at Jidda and are monthly averages except that figures since May, 1951, are for mid-month.

UNITED STATES OF AMERICA

TECHNICAL COOPERATION ADMINISTRATION

Jidda, Saudi Arabia

October 19, 1952

His Excellency Shaikh Abdullah Al-Sulaiman
Minister of Finance of the
Kingdom of Saudi Arabia
Jidda

Your Excellency:

I have the honor to transmit herewith my report on Saudi Arabian currency. Improvement of the currency system presents so many difficult and inter-related problems that I have deemed it wise to make this systematic study.

The report includes material already presented to Your Excellency in connection with the currency measures adopted in October, 1952. It also includes a discussion of further measures of currency improvement, recommended for adoption after a period of experience with the measures of October, 1952. These measures, as Your Excellency knows, involve the risk of changes being forced on Saudi Arabia because the riyal is a "full weight" silver coin. These measures, therefore, should be regarded as transitional because their working at the rates now announced may become difficult in the event of major changes in world prices of gold or silver. Nevertheless in my judgment the measures are workable pending such major changes; and the likelihood of changes in the near future that would upset them is not sufficient to render inadvisable their adoption as a transitional system.

In particular, I am grateful for Your Excellency's constant interest in this work, and am likewise grateful to His Excellency Najib Bey Salha, Assistant Deputy Minister of Finance. I recall that Your Excellency at our first conference on the day of my arrival in Jidda, July 12, 1951, referred to the need for a new institution to aid in management of monetary and fiscal matters. This far-sighted initiative led to the planning and establishment of the Saudi Arabian Monetary Agency which opened October 4, 1952. Creation of the Agency provides the machinery to deal with the problems discussed in this report. It made possible the monetary measures announced in October, 1952.

I am indebted to many for aid and ideas--including those who previously have studied the monetary situation and sought means to improve it. I have had valuable information and help from a number of officials, from the officers of the banks established in Saudi Arabia, and from a number of business men, including officers of the Arabian American Oil Company. Finally I am grateful to Mr. George A. Blowers, Governor of the Saudi Arabian Monetary Agency, to Mr. Nassim Bey Khalidi, Vice-Governor, and to Dr. A. H. Helood of the Agency for discussing with me the problems, reading part or all of the draft of the report, and making many valuable suggestions. Of course I take full responsibility for the views expressed.

Finally, I am submitting this report as an expert made available by the Government of the United States in response to the request of the Government of the Kingdom of Saudi Arabia, and the views which I express are not necessarily those of the Government of the United States.

Respectfully,

Am
Arthur H. Young
Financial Advisor

CONTENTS

SAUDI ARABIAN CURRENCY

I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING	1
Summary of the system	1
Volume of monetary circulation	2
Rates of exchange and prices	2
Notes	4
Special characteristics affecting plans for monetary readjustments	5
II. CHOICE OF A MONETARY STANDARD	7
A Report to His Excellency Shaikh Abdullah Sulaiman, Minister of Finance of the Kingdom of Saudi Arabia	7
The British gold sovereign	11
Sterling	11
Sold at \$25 per ounce	11
The Saudi Arabian gold	12
Arthur H. Young, Financial Advisor	12
III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN	14
Value to be given to the new sovereign	14
Means to maintain the sovereign's value	16
Position of the British gold sovereign	17
Position of the riyal	18
IV. RATES FOR THE NEW SOVEREIGN AND THE RYAL	21
Recent rates	22
Relation of rates to the price of silver	24
Feasibility of maintaining a rate in the range of 2:11 to 2:16 1/2	25
Ratio of the riyal to the new sovereign	26
Relation of the rate to future currency	27
Technical Cooperation Administration of the United States of America	27
Jidda, Saudi Arabia	28
October, 1952	28

CONTENTS

SAUDI ARABIAN CURRENCY

	Page
I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING	1
Summary of the system	1
Volume of monetary circulation.	2
Rates of exchange and prices.	2
Merits and defects of the system.	4
Special characteristics affecting plans for monetary readjustment.	5
II. CHOICE OF A MONETARY STANDARD.	9
Bimetallism	9
Making the present dual system more workable.	9
The silver standard	10
The British gold sovereign.	11
Sterling.	11
Gold at \$35 per ounce	11
The Saudi Arabian gold sovereign.	12
III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN	14
Value to be given to the new sovereign.	14
Means to maintain the sovereign's value	16
Position of the British gold sovereign.	17
Position of the riyal	18
IV. RATES FOR THE NEW SOVEREIGN AND THE RİYAL.	21
Recent rates.	22
Relation of rates to the price of silver.	24
Feasibility of maintaining a rate in the range of 3:11 to 3:16½	25
Ratio of the riyal to the new sovereign	26
Relation of the rate to future currency reorganization	27
Conclusion re the initial rate.	28

V. READJUSTMENT OF THE RIYAL 30

Need for a new riyal 30

Types of currency readjustment used in countries
with similar problems 32

Conclusion re the plan best adapted to
Saudi Arabia. 36

Silver content 37

Size, weight and composition of new silver coins . . 37

Summary of proposed silver coins and comparison. . . 39

Quantity of new coins needed 39

Maintenance of parity of the new coins 42

Alternative method of readjusting the riyal. 44

VI. READJUSTMENT OF MINOR COINAGE 45

Present situation. 45

The rate of the qirah. 45

Composition of new qirah coins 46

Quantity needed. 47

ANNEXES

I. Saudi Arabian mintings of silver coins. 48

II. British sovereign and sovereign-riyal rates of
exchange at Jidda, 1946-52 49

III. Exchange value of the riyal at Jidda compared
with value of same weight of silver at New
York and Bombay. 52

IV. Decrees of April 20, 1952, creating the Saudi
Arabian Monetary Agency, and of August 5, 1952,
appointing the Governor and the Board of Directors . . 53

V. Calculation of reserve for silver coins 60

CHARTS

I. Riyal-sovereign (George Head) rates at Jidda:
range, 1946-52 61

II. Exchange value of the riyal at Jidda compared with
value of same weight of silver at New York and
Bombay 62

SAUDI ARABIAN CURRENCY

I. SAUDI ARABIA'S MONETARY SYSTEM AND ITS WORKING

Summary of the system

Saudi Arabia's currency system is unique in the world today. It is the hardest money of all, a dual currency consisting of British gold sovereigns and Saudi Arabian silver and minor coins. The gold and silver coins circulate primarily on the basis of their bullion content and value in world markets. But they do not closely follow external values because of local conditions and the restrictions upon import and export of gold and silver in this and other countries. The only fiduciary element consists of minor coins of 1, $\frac{1}{2}$ and $\frac{1}{4}$ qirah, valued at 22 qirah to the riyal. The country has never had its own paper money--though Indian rupees and some other currencies are used to some extent in the coastal areas, especially at the season of the pilgrimage.

The coins comprise the following, including the newly coined Saudi Arabian gold sovereign:

	Weight (grams)	Fineness	Weight fine metal (grams)	Approximate exchange value, first nine months of 1952
Gold				
British sovereign	7.9880567	.916 2/3	7.322385*	\$12.00
Saudi Arabian sovereign	7.98805	.91666	7.322326	Not issued as of Oct. 1, 1952
Silver				
Riyal	11.6638	.916 2/3	10.6918**	.275
$\frac{1}{2}$ riyal	5.8319	.916 2/3	5.3459	
$\frac{1}{4}$ riyal	2.916	.916 2/3	2.673	
Minor				
Qirah	6.5	} 75% copper 25% nickel		22 qirah
$\frac{1}{2}$ qirah	5.5			equal to
$\frac{1}{4}$ qirah	4.35			1 riyal

* This is the equivalent of 113.0016 grains, or .23542 oz.

** This is the equivalent of 165 grains, or .34775 oz.

Jidda since 1945 has ranged from \$23.42 to \$10.35. In the past three

The gold content of the British sovereign is worth \$6,239 at \$35

per ounce. But the sovereign commands a varying premium, now generally

about 45% in free, gray or black gold markets of a number of countries,

because it is well known and immediately marketable, its quantity is

limited, and it is ideally suited for hoarding by people who for cen-

turies have used precious metals as a storehouse of value. The sovereign

circulates actively in the Jidda-Mecca area and in parts of the interior

along with the riyal, at varying rates of exchange. In the east coast

area, however, the sovereign is not generally used.

The riyal is a popular coin. Throughout the country it is the cur-

rency of the people and is used generally in retail buying. It has the

same weight and fineness as a former Indian rupee. The sovereign is

used for larger transactions in the western area and parts of the interior.

Value of monetary circulation

It is impossible even to make a fair guess of the number of British

sovereigns in the country. As to riyals, the total amount of silver

coins made since 1935 is SR270.5 million, including an order of SR52

million in June and July, 1952, whose delivery should be substantially

completed by the end of 1952. Details by years are shown in Annex I.

It is impossible to say how many are now in the country, but certainly

it is considerably below the total received. The outward smuggling has

been on a large scale at times, especially in 1949-50 when it has been

said to amount to SR2-5 million monthly.

The foreign exchange value of the riyal has been more stable than

Rates of exchange and prices

Riyal-sovereign rates of exchange in Saudi Arabia since 1945 have

varied between SR89 and SR40 3/4 per sovereign," as shown in Annex II

and Chart I. In the past three years the range has been between SR62 1/2

and SR40 3/4. The rate in September, 1952, averaged about SR42 1/2.

Similarly there have been wide fluctuations in foreign exchange.

The value of the British sovereign is quite outside the control of Saudi

Arabia or of any one country where it is widely current. Its value at

Rates in riyals are customarily quoted in riyals and qirah, e.g.,

SR3:16 per dollar.

Jidda since 1945 has ranged from \$20.00 to \$10.25. In the past three years rates have varied between \$12.90 and \$10.25. In September, 1952, the rate averaged about \$12.10. The sovereign has consistently been in demand at a premium well above \$35 per fine ounce of gold. The equivalent per fine ounce at Jidda has ranged between \$84.95 (143% premium) in 1946 and \$43.54 (24% premium) in 1950. The equivalent in September, 1952, averaged about \$51.00 (46% premium).

The value of the riyal in foreign exchange has been influenced by the value of silver in foreign markets, but at times has departed considerably from the foreign parities. This has resulted from local shortage or plenty, from the restrictions on export of riyals, and from restrictions affecting silver in other markets. There has been considerable outward smuggling of riyals when the value of silver abroad has been materially above the riyal's exchange value in the country. But there has been little smuggling when the premium was less than about 15%, because of the great weight of silver in relation to its value and the risks of seizure.

Annex III and Chart II compare the exchange value of the riyal with the value of the same weight of silver at New York and Bombay. There has been at times a premium of over 70% at Bombay, due to scarcity caused by Indian import restrictions, and at New York of 25%. Naturally there was extensive smuggling when the premium was so large. At the present writing, the exchange value of the riyal is substantially the same as its parity in New York or Bombay, a rather rare condition.

The foreign exchange value of the riyal has been more stable than that of the sovereign. It has varied, however, roughly between \$0.20 and \$0.30 since 1945. In the first half of 1952 the riyal was quite steady at about \$0.27, or about 3.70 per dollar, but averaged about \$0.285 in the summer of 1952. This rise was partly seasonal due to additional demand for money in connection with the pilgrimage which in 1952 reached its climax in August.

Only fragmentary data of internal prices in Saudi Arabia are available. The data are insufficient to permit any very definite conclusions as to the connection between fluctuations of foreign exchange and the

movement of prices and cost of living, other than that unstable exchange adds to costs of doing business which are largely passed on to the consumer.

Merits and defects of the system

The monetary system has some important points of strength. In a world of depreciating "soft" currencies, Saudi Arabia's all-metal currency has maintained its value as well as anyone could hope. The people have full confidence in the riyal and the British sovereign. The currency is durable. It has proven that it can solidly, if not conveniently, meet the needs of the country.

There are, nevertheless, some serious defects of the system which are being increasingly realized. Instability is the greatest defect. There is no fixed rate internally between the riyal and sovereign, and rates have varied widely. No fixed rate can be set and definitely maintained. Externally, neither coin has a fixed value in terms of foreign currency.

Variations in the rate may be very disturbing to Government finance. About four-fifths of the revenue is in foreign exchange, mainly dollars. A large part of this must be converted into riyals and sovereigns to be spent locally. The Government cannot budget with assurance when it cannot know from one month to another what its revenues in terms of local currency will be. The number of riyals realized per dollar has varied from about 3.2 to 5.2 since 1945. And the price of sovereigns has ranged between about \$16.25 and \$20.00. That means that since 1945 the outturn of \$1,000,000 has ranged from SR3,200,000 to SR5,200,000; and from 50,000 to nearly 100,000 sovereigns. Even in the year 1951 the outturn ranged from about SR3,550,000 to SR4,000,000; and from about 77,000 to 85,000 sovereigns.

Fluctuations also are harmful to foreign trade. In many countries importers and exporters customarily settle with banks their rates of foreign exchange in advance, in order to know the cost or proceeds in terms of local currency. But forward exchange transactions are almost nonexistent here, partly because of the interpretation of religious law

which may be placed upon acts to provide for future contingencies. Thus exchange instability brings to foreign trade an element of risk and uncertainty which is rarely avoided. To compensate for this traders must allow larger profit margins. They pass on this added cost to the public or the Government (as a buyer of imports) in the form of higher prices. This extra burden on trade reduces imports. Also it reduces revenue from the customs. Finally its effect, by reducing the supply of imported goods, is to lower the standard of living of the people as a whole.

The people also may suffer from fluctuations of the value of the money they hold. They have no way to know what one coin may be worth in future in terms of the other. By holding either coin, if they may need the other, they run the risk of loss.

Furthermore, the gold and silver coins are not interchangeable at any par rate. The public have to pay rates of exchange covering the profit of the money changer or bank. With a good system all forms of money would be interchangeable at fixed par without any cost to the holder. The only fixed element in the system is the rate between the qirsh and the riyal, 22 to 1. But that is an odd rate, not easy for computation, and even that rate has sometimes varied in times of monetary stringency. The qirsh should bear a fixed decimal relation to the system.

Finally the system is cumbersome. In the absence of money of large denominations the riyal is the people's main money. The riyal is a heavy coin in relation to value. For any sizable transaction there are problems of carrying large weights of metal and counting numbers of coins. This is troublesome, a waste of time and a source of expense.

Clearly Saudi Arabia would benefit if it could introduce a revised monetary system with a definite stable monetary standard and a system of convenient coins with fixed decimal values and freely interchangeable at the wish of the holder.

Special characteristics affecting plans for monetary readjustment

There are several important characteristics of the monetary situation in Saudi Arabia which must be taken into account because of their important

effect upon the nature of any plan for monetary readjustment.

a. Saudi Arabia from earliest times has used hard money of "full-weight". The people have relied upon the "intrinsic" metal content of money rather than upon governmental measures giving it value, and thus they tend to distrust paper money.

b. Closely related to the above is the wide extent of hoarding. Certain large money dealers do certain banking operations, but there are no formally established local banks. The modern banking facilities provided by foreign banks exist only in Jidda and the Dammam-Shahrn area. These banks have relatively few deposits in local currency, though the deposit system has been slowly growing and foreign currency deposits are considerable. Most local business houses and individuals keep their funds mainly in hoards of gold and silver. The ordinary people throughout the country keep a smaller or larger supply of gold and/or silver coins--as much as they can afford--as a reserve for spending and emergency.

c. There is not much debtor-creditor relationship and comparatively few long-time contracts based on money other than real estate leases which are rarely for over ten years. Personal insurance, bonds and mortgages hardly exist. The Government has no local funded debt. For these reasons the country is less vulnerable than most countries to monetary changes affecting its contractual structure. But changes in foreign exchange rates have considerable effect because of (a) the Government's heavy dependence upon foreign exchange revenue, and (b) the country's great dependence upon imports.

d. The economy is regional with considerable differences between regions. The west coast uses gold for larger transactions, but riyals for ordinary retail trade and wages. The east coast, however, uses almost no gold--its fondness for silver reflecting orientation toward India. Much of the interior is familiar with both gold and silver coins. Parts of the country are rapidly becoming modernized; and in other parts the tribesmen live much as they have for many centuries past. On the west coast, whose economic center is at Jidda and Mecca, Jidda's money market is concerned with financing trade and the Haj

(pilgrimage), and also has a certain amount of speculation in gold, silver and foreign currencies. The east coast is characterized by the rapidly growing oil industry. The Riyadh area centers upon the activities dependent upon it being the political capital and the chief residence of His Majesty the King. The railway from the east coast to Riyadh was opened late in 1951, and its extension to Jidda is being planned. The railway will help to transform much of the region where it runs. It now tends to link economically the Riyadh region mainly to the east coast.

e. Foreign exchange is a major problem. The Government receives about four-fifths of its income in foreign exchange, nearly all of this from the Arabian-American Oil Company (Aramco) exports of oil but some also from foreign concessionaires other than Aramco. Oil revenue, and consequently total revenue, has probably grown faster in the past three years than has the revenue of any country in history except Kuwait. The need to convert large sums from foreign to local currency creates a difficult problem in budgeting so long as the sovereign and riyal have no fixed value in foreign exchange.

In contrast to most areas, dollar exchange is plentiful in Saudi Arabia because of the large oil revenue, and also many dollars become available in the area because of Kuwait's dollar receipts. Part of this exchange not used for goods may be converted into gold and silver. Continuing and growing foreign currency receipts in these relatively undeveloped areas may at times pose a problem as to their use.

f. Saudi Arabia has splendid revenues due to its wealth in oil. Because these revenues are so large and almost all in foreign currency including mainly dollars, the country can afford the soundest and best-secured monetary system. Its revenues are sufficient to build up the reserves needed to assure such a system.

g. Saudi Arabia is extremely dependent upon oil, both as to revenues and economic activity. In the past three years of phenomenal growth of oil production, prosperity has grown accordingly. But in the past oil has gone through periods of overproduction and slump, and it

is only prudent to prepare for the chance that these will recur in the future. Saudi Arabia is highly vulnerable to any slump affecting the sale of its oil, and hence it is wise to make provision for such an eventuality. If Saudi Arabia built up sizable reserves, which it could gradually do, it would not need to worry unduly about any temporary slump in oil or about year to year variations in yield of revenues.

There are three main alternatives: (a) to retain the present gold standard system; (b) to base the currency on the present silver riyal; (c) to use as a base the British gold sovereign (d) to join the sterling area; (e) to adopt the gold standard based on 35 per ounce, and (g) to introduce the new gold coin with a definite relation to the dollar and other foreign currencies.

Instability

There is no dependable way to tie together "full weight" gold and silver currencies at fixed rates. Since the end of the war the ratio between gold and silver has ranged between 15:1 and 100:1. There is no good reason to believe that the instability of the ratio between gold and silver has hereafter ceased and that there has been

The instability proposed now is discussed in Saudi Arabia has been to set a definite rate of 15:1 between the new Saudi Arabian gold coin and the riyal. This is basically a scheme of nationally operated bimetallicism. Such a system may work for a while if treated as transitional, but in time the market will change as to the value of the gold coin and the riyal. Clearly one country alone could not operate bimetallicism.

Under the present gold system was unstable

The first difficulty is retaining the present gold system and trying to make it more stable is that the value of the British gold sovereign, like the Saudi Arabian gold coin, is not stable. The second difficulty is that the value of the Saudi Arabian gold coin is not stable.

The British sovereign is not a Saudi Arabian national coin, but rather a foreign one. There is no reason why it should be used as a basis for the Saudi Arabian currency.

be completely solved again. The limited supply is being gradually being hoarded, and under different conditions of greater stability in the world might be gradually disbanded. It certainly has not been easy to get more sovereigns for local use.

II. CHOICE OF A MONETARY STANDARD

Since the value, since it is in wide demand throughout the world. It fluctuates.

The main possibilities that Saudi Arabia may consider are: (a) some form of bimetallism; (b) to retain and try to make more workable the present dual currency system; (c) to base its currency on the present silver riyal; (d) to use as a base the British gold sovereign; (e) to join the sterling area; (f) to adopt the gold standard based on \$35 per ounce, and (g) to introduce the new gold coin with a definite relation to the dollar and other foreign currencies.

Bimetallism

There is no dependable way to tie together "full weight" gold and silver currencies. It has varied as silver prices have changed and gold prices, and in September, 1934, was a little over 100-1. In terms of the market gold and silver per ounce in free markets has ranged between 45-1 and 100-1. There is no good reason to believe that the instability of the ratio between gold and silver that has heretofore existed will now suddenly end.

The bimetallic proposal most widely discussed in Saudi Arabia has been to set a definitely fixed rate to 40-1 between the new Saudi Arabian gold coin and the riyal. This is basically a scheme of nationally operated bimetallism. Such a system may work for a while if treated as transitional. But in time the market ratio would change so as to make any fixed rate untenable and drain away the reserve of one coin or the other. Clearly one small country alone could not operate bimetallism.

Making the present dual system more workable

The first difficulty in retaining the present dual system and trying to make it more workable is that Saudi Arabia could not effectively control the value of the British gold sovereign. Likewise Saudi Arabia cannot be assured of controlling the "full weight" silver riyal.

The British sovereign is not a Saudi Arabian national coin, but rather a foreign one. These sovereigns are no longer coined and are not likely to

be regularly coined again. The limited supply is going gradually into hoards, and under different conditions of greater stability in the world might be gradually dishoarded. It sometimes has not been easy to get more sovereigns for local use. It is hard for a single country like Saudi Arabia to influence its value, since it is in wide demand throughout the world. It fluctuates in world markets more widely than gold bullion. A recent development potentially affecting the British sovereign is the Swiss court decision in August, 1952, that the making of full weight replicas of gold coins no longer constituting the currency of the countries of original issue is not counterfeiting.

Rates for the British sovereign in riyals in Jidda have varied since 1945 between about 89 and 40 riyals, and in September, 1952, the rate averaged about 42½ riyals. The variations are due to fluctuations in both coins. The sovereign, however, has been less stable than the rial in terms of foreign currency. It has varied at Jidda since 1945 between \$20 and \$10.25, and in September, 1952, was a little over \$12.00. In terms of the dollar the rial has varied between about \$0.30 and \$0.20, i.e., according to either its exchange value at Jidda or the value of its silver content in the silver market in New York.

While the short-term value of the rial is to some extent within Saudi Arabia's control, the fact that its long-term value is vulnerable to changes affecting silver and the fact that the value of the British sovereign is quite outside the country's control, make it clearly unwise for Saudi Arabia to depend upon improving the present system.

The silver standard

Adoption of a silver standard would be the easiest thing to do because of the rial's great popularity. But this would not be a real solution. No country today is on the silver standard, except that Saudi Arabia is partly based on it. In the past 50 years most of Europe and Asia has abandoned silver not only as a standard but even as a monetary metal. There are no present or prospective national or international policies that give any confidence in silver's future stability such as might justify any country in choosing it as a monetary standard. Although silver prices have been fairly steady for

several years, they have in the past been highly unstable. Variations in the price (which was \$0.83½ per fine ounce in New York in September, 1952) may temporarily be within a narrow range; but over a longer period may be within a wide range, e.g. between \$0.65 and \$1.29. Any plan to use silver as money must contemplate such a range.

Choice of a silver standard would continue to leave the Government of Saudi Arabia vulnerable to major fluctuations which would make uncertain the yield in local currency of the foreign exchange receipts which are about four-fifths of its total income.

The British gold sovereign

The British gold sovereign is popular and widely current under the present dual system. But there are strong reasons for not using it as a permanent standard, as set out above in discussing possible retention and improvement of the present dual system.

Sterling

A sterling standard would have some convenience due to the fact that Saudi Arabia is surrounded by sterling area countries and has much trade with the sterling area. But Saudi Arabia now has a system that is practically free from controls of trade and foreign exchange. It has perhaps the hardest currency system in the world. It has no shortage of foreign exchange, because of its wealth in oil. It receives large amounts of dollars, and there is no need for it to assume any obligation to put them in the "dollar pool" of sterling countries. Sterling exchange has had a constant series of difficulties since the war which still persist. Saudi Arabia has a clear balance of advantage in not joining the sterling area.

Gold at \$35 per ounce

Adoption of the gold standard based on a price of \$35 per ounce would in effect link Saudi Arabia's currency to the dollar. But were Saudi Arabia to undertake to issue full weight gold coins at \$35, it would have to give up its traditional use of gold as currency. Any such attempt would merely feed the various premium markets for gold, since the coins would not stay in circulation. Hence Saudi Arabia would have to depend entirely upon fiduciary

currency. This would comprise silver and minor coins; and would involve a system which it would be difficult to operate without relying largely on currency notes--whose use under present conditions seems inadvisable.

Thus adoption of a standard which would require gold circulation at \$35 per ounce is impracticable.

The Saudi Arabian gold sovereign

There remains the choice of introducing the new Saudi Arabian gold sovereign, minted early in 1951 but not issued as of October 1, 1952, as a step to an improved monetary system; and maintaining its value in foreign exchange by operations of the Saudi Arabian Monetary Agency to prevent undue fluctuations. This is in my opinion the best choice, having regard to actual conditions in Saudi Arabia and the attitude of the Government and public.

There are several important reasons in favor of a gold coinage in Saudi Arabia. For centuries gold coins have been known and trusted and they now form a major element in the system. They are popular because well-suited to conditions that now exist and are likely to continue to exist for some time to come. They afford high value in small compass, are easily transported, are highly durable and are a convenient "storehouse of value" in a country meagerly equipped with credit institutions. In an inflationary world, faced with threats of war and widely dominated by the belief that governments should use fiscal means to promote full employment and prosperity, gold is more likely to keep its value than any national monetary unit. A gold currency is less liable than any other to pressure from unwise governmental action--and the strongest and most experienced countries are suffering from abuses of credit.

Under present world-wide conditions there can be no assurance of complete stability in any standard. But there is a firm floor under gold at \$35 per ounce. One cannot visualize a drop below that figure, which is 7%-8% below the free gold price in September, 1952 (\$37.50-\$38.00 per ounce). No continuing drop to a premium of less than say 4% (\$36.40) seems at all likely. Thus for practical purposes the floor is higher than \$35.

On the other hand, a rise of large proportions in the free gold price would be checked by the gold sales of producing countries in free markets.

The IMF's announcement of September, 1951, was interpreted as giving these countries more latitude in sales; and this has led to greater stability of the free gold market at lower levels. No really large rise is likely without (a) outbreak or general expectation of world-wide war, or (b) revaluation of gold either generally or by the United States.

Saudi Arabia should not refrain from issuing the new gold coin, in my opinion, because of these two contingencies. If they happen the entire world would be faced with monetary readjustments, and would have an interest in tempering their effects. This situation is in contrast to that of silver, since the monetary effects of major fluctuations of silver are not likely to be of really serious concern in any quarter where effective action might be taken.

It remains to consider the level in foreign exchange at which the new sovereign should be issued. Obviously the level has to be chosen with regard for the level at which gold in the form of bars and coins passes from hand to hand in the various markets accessible to Saudi Arabia. The new coin's equivalent per ounce must be safely above its value as bullion in free gold markets or it would not stay in circulation. I would stress in this connection that for Saudi Arabia to issue its gold sovereign at a value exceeding \$35 per ounce is not a revaluation of gold. Rather it is a practical measure to issue the coin at a level where it will not be drawn away to outside markets. In this respect the position of the coin will be similar to that of the British gold sovereign, which now circulates in the country at a 45% premium over \$35 and also about a third above the price of gold in the various free, gray or black markets.

The problem of the value to be given to the new sovereign and related matters affecting readjustment of the Saudi Arabian monetary system are considered in succeeding chapters.

* Part of this chapter was embodied in a report presented to His Excellency the Minister of Finance on August 14, 1954.

** In the course of 1953 the Government handed out at Riyadh a number of the new sovereigns, but this is not to be considered as commencement of issuance as currency.

III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN*

A major purpose of the Saudi Arabian Government's far-sighted action in creating the Saudi Arabian Monetary Agency in April, 1952, was to provide machinery to improve the monetary system. The Royal Decree of April 20, 1952, mentioned as the first function of the Agency: "To strengthen the currency of the State and to stabilize its value and to fix its value in relation to foreign currencies."

The Agency's opening on October 4, 1952, cleared the way for issuing the new gold sovereign.** This coin is practically identical with the current British sovereign in weight and fineness. It weighs 7.98805 grams, is .91666 fine and contains 7.322326 grams of fine gold (equivalent to .2354 oz.).

Issuance of the new coin raises problems of its value in foreign exchange, how its value is to be maintained and the position of the present currency comprising British sovereigns and riyals.

Value to be given to the new sovereign

The Agency should operate to prevent undue fluctuations of the value of the new sovereign in foreign exchange, within an approximate range determined by the Agency. Its issuance thus will be an important step toward exchange stability and avoidance of the losses to the Government and the people which have resulted from exchange fluctuations. But it is important that the range be neither too low nor too high.

The gold content of the coin is worth about \$8.24 at \$35 per ounce. On the basis of the current price of gold bullion in free markets, recently between \$37 and \$38, the coin's gold content is worth between \$8.70 and \$8.95. Obviously the coin could not be issued at a value in the latter

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range because it would be drained away to the various free, gray or black markets for gold bullion. Issuance of the coin could not be justified except for strictly monetary use in Saudi Arabia. Furthermore Saudi Arabia should firmly forbid its export.

The British sovereign at \$12 commands a premium of about 45% over bullion value. It would not be wise to issue the new coin at such a high premium, even if it would be readily acceptable at that figure. Too high a figure may invite counterfeiting, which is not likely if the new coin has a value below that prevailing for the British sovereign. The latter has fluctuated in the past two years between \$13.00 and \$11.50. Also the making of replicas of the British sovereign is encouraged by the above-mentioned Swiss court decision in August, 1952, to the effect that making full weight replicas of these coins is not counterfeiting. This decision of course does not apply to Saudi Arabian sovereigns. Anyone wishing to reproduce gold coins is more likely to turn to the British sovereign, not only because of the influence of this decision but because the latter has a far wider market and a higher price, and disposal of counterfeit Saudi Arabian sovereigns would be much harder.

It will be sound policy, therefore, to sustain the Saudi Arabian sovereign well below the present level of the British sovereign, yet definitely above the value of the new coin's bullion equivalent in accessible outside markets. These criteria set a range of choice between about \$8.00 and \$11.50.

Let us look at the recent history of gold prices. When South Africa began selling in the free gold market in 1949 the price in the more important centers ruled at more than \$45 per ounce. Also in 1949 there was speculative buying of gold in anticipation of the currency devaluations of September, 1949. By the end of 1949 the price had fallen to about \$41, and by June, 1950, before the Korean affair to about \$37. The fall was influenced by both South African sales and by speculative selling after the devaluations. Thereafter the price rose to \$40 in the next six months, but did not go much above \$40 except that for a short time early in 1951 following Chinese Communist intervention in Korea it rose to about \$44.

The action of the International Monetary Fund in September, 1951, in leaving greater latitude to members to determine their respective policies for sale of newly mined gold has had an important effect on the markets for gold bullion. Sales on a larger scale have led to lower prices and there has been greater stability at those levels. The Fund's announcement was followed by a drop of over \$3 from about \$41 to a range of \$37-\$38 in recent months.

I recommend that the new sovereign have a value in the approximate range of \$10.60 to \$11.00, which is equivalent to a gold price of about \$45.00 to \$46.75 per ounce. Sales policies of producing countries seem likely to hold the price below that range except, as stated, in case of the happening or general expectation of large-scale general war, or revaluation of gold generally or by the United States. Short of these contingencies it is quite unlikely that the gold price in accessible outside markets would reach \$45. These contingencies I feel should not now deter Saudi Arabia from issuing the gold coin as a step toward monetary improvement.

The range of value for the new sovereign also has to take account of the rate at which it will be issued in terms of the riyal.* This range, therefore, has to take account of the foreign exchange value of the riyal, as hereinafter explained.

Means to maintain the sovereign's value

If Saudi Arabia issues the new sovereign in the range above recommended, it must be firmly sustained in that range to assure confidence. Thus the Monetary Agency must redeem the coin on demand in unlimited amounts at the lower limit of the range chosen.

Redemption calls for an adequate reserve of dollars or gold deposited in banks of high standing in the United States in the name of the Agency. The reserve must be specially earmarked so that it cannot be used for any purpose other than to maintain the stability of the new sovereign.

As stated, there seems no chance of gold falling below \$35 per ounce, the figure at which the American authorities buy gold. Likewise the free gold price which in September, 1952, ranged

* His Excellency the Finance Minister announced this rate on October 4, 1952, as 40-1.

between \$37-\$38 is quite sure to stay well above \$35 and probably above \$36. The Monetary Agency could readily borrow against the coins if need be up to about \$35 per ounce. The reserve therefore will be adequate if it covers the difference between the monetary value of the coins issued and their value at \$35.

To illustrate: a million new coins issued at \$11 each through the Agency are paid for in dollars, a total of \$11 million, as provided in the draft decree. In the unlikely case that they are all presented for redemption, the gold in them would be worth \$8.24 million at \$35 per ounce, or \$8.70 at \$35 per ounce. And the Agency would hold as earmarked reserve the excess of monetary value over cost, namely \$2.76 million, less expenses of coinage and shipment which are not over about 2%.

The requirement that new coins be issued only through the Agency and their full monetary value paid in dollars thus will automatically create a sufficient reserve. But it is important that this requirement be strictly followed, and that no coins be issued without the prescribed earmarked reserve.

Since the new coin will have a monetary value well above its value as gold bullion, there will be no inducement to export it. Nevertheless its export should be forbidden to make clear that it is to be kept a local coin, and to give protection in case of an unexpected rise, e.g., in the contingencies mentioned.

Position of the British gold sovereign

This well-known coin is widely used in Saudi Arabia, and the Government should avoid action that might adversely affect the value of the British sovereign after issuance of the new sovereign. The new coin, however, may be expected in time to supplant the British sovereign as currency within Saudi Arabia, though some will doubtless continue to hoard British sovereigns. The new coin will be convertible into riyals at a convenient rate which the Monetary Agency will be in position to maintain subject to substantial changes in the world prices of gold or silver. Also it will have an assured value in dollars and be readily convertible into foreign exchange. Thus it should gradually prove attractive.

It is desirable to discourage the making of fresh contracts in British

sovereigns, which have been used extensively in contracts for rentals and in various larger transactions. Hence at a certain time after the Saudi Arabian sovereign is issued it could be decreed that any contracts in terms of British sovereigns would be valid only after payment of a tax of 1% on the amount thereof, the tax rising to 2% after three months.

Position of the riyal

The Monetary Agency should make every effort to maintain a stable rate between the new sovereign and the riyal. But it should not be obliged to maintain a fixed value for the riyal. Long experience shows that to undertake to maintain a definitely fixed rate between the two coins would be a form of bimetallism which sooner or later would break down. The riyal is a "full weight" coin whose value as money is connected with its value as silver. In particular there is a pull on the riyal whenever its value as silver in foreign markets exceeds its value as money in Saudi Arabia by over 10%-15%. Since export of the riyal is prohibited, this pull works through smuggling. Thus for some time in 1949-50 the riyal's value as silver according to the New York and Bombay prices was so much above its value as money in Saudi Arabia that outward smuggling was great.

At times the riyal's value as money has been depressed by over-rapid issue of newly-coined riyals. This has happened when these have been imported and issued more or less automatically as they arrive, without reference to the riyal's value in foreign exchange or to the level of internal prices. This took place in 1949-50 and again early in 1951. The exchange value of the riyal varied between 80.20 in the spring of 1950 and 80.28 late in the year, and in 1951 there was a similar though smaller swing. In each case this condition was corrected within a few months by smuggling and by local absorption of riyals.

In contrast to the experience in 1949-51 was the situation in the first half of 1952. Then newly-arrived riyals were paid out only as need was shown by a tendency of the riyal to rise in value; the Government otherwise meeting its local currency needs from the proceeds of sales of foreign exchange. Also when necessary the Government bought riyals in anticipation of its need in order to check a slump in the rate. As a result of these measures the

riyal in the first half of 1952 was steadier than in any like period for which data are at hand. The variation was within a range of only about 2% on either side of the average of "middle" rates, i.e., about \$0.27. This stability continued until the latter part of June, when the riyal increased in value to \$0.28-29, influenced by early large demand for the pilgrimages and before arrival of new riyals ordered from Mexico which began to arrive in August.

The Agency can carry out its responsibility to provide a more stable currency not only by sustaining the Saudi Arabian gold sovereign as proposed, but by doing all it can to check the fluctuation of the riyal. The above analysis shows that the Agency can do much to control the riyal. The first means is by regulating the rate of issue of newly-coined riyals. The charter sets forth in Article 4 the following function of the Agency:

"(d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it being understood that coins would be issued only through and at the request of the Agency."

The Government in June and July, 1952, ordered from Mexico \$852 million, most of which should arrive before the end of 1952. With these in hand and with the possibility of getting more when needed, the Agency under existing authority, to avoid the losses to the Government and people resulting from conditions will be in a position to prevent any undue increase in the internal value of the riyal. It can pay them out as rapidly or as slowly as conditions warrant.

The riyal's appreciation in the summer of 1952 shows that, because of seasonal demand, it will be important to have on hand by May, 1953, an adequate stock of new riyals. Otherwise exchange cannot be controlled. If new coinage orders are needed, they should be placed three months before arrival of the first lots, and in time for arrival of all needed by June 1. Deliveries from Mexico have been made at the rate of about \$810 million monthly. Hence the situation should be reviewed during February, 1953.

Only experience will show to what extent and how rapidly the new sovereign, as a convenient coin of large denomination, will be substituted for riyals in the circulation. All new sovereigns issued should be fully covered in riyals until the Agency finds by experience that these sovereigns will stay in circulation to an extent permitting less than full coverage.

Other action available to the Agency to affect the rial's value in terms of the new sovereign results from its function as the Government's fiscal agent. In this capacity the Agency will receive and be the depositary for all receipts of the Government. The receipts in riyals and new sovereigns will be available to be held or paid out along with those held in reserve. But beyond this is the Agency's function in receiving payments made to the Government in foreign currency, notably as revenue from oil. The Agency can convert these into riyals or new sovereigns, having regard to market conditions. For example, if the Government needs riyals at a time when the rial is tight and tending to increase in value, the Agency can provide from its rial reserve the needed riyals and hold foreign currency in their stead. Or if the rial tends to be redundant and to fall in value, the Agency can buy riyals in the market for Government needs against either foreign exchange or Saudi Arabian gold sovereigns. Also it can buy and hold riyals for its own account against future needs.

Thus the Agency, while not obliged to maintain a fixed rate for the rial, has powerful resources to check undue fluctuations. It can do much to carry out the Government's intention, as set forth in the decree of His Majesty, to avoid the losses to the Government and people resulting from variations in the value of Saudi Arabia's currency.

The new sovereign would have a value in foreign exchange in the range above mentioned. The agency would firmly prevent it from falling below that range by buying sovereigns and/or riyals for dollars or pounds in unlimited amounts. Likewise the Agency would prevent exchange rates from rising above the upper limits of the range by issuing new sovereigns and/or riyals.

The above should be regarded as transitional until the rial can be readjusted on the lines hereinafter proposed.

The key to the program, therefore, is the choice of the best level for the rial. This level should be chosen with great care so as to secure the

least possible disturbance, and should be a rate conducive to equilibrium.

IV. RATES FOR THE NEW SOVEREIGN AND THE RIYAL

It should be as near as practicable to rates prevailing in

I would emphasize that maintenance by the Agency of rates between the riyal and the Saudi Arabian sovereign depends first upon there being no major changes in world prices of silver and gold. Also it depends upon the Agency having at all times enough of each coin to meet all demand at the rates set. Only readjustment of the riyal on the lines set forth in the following chapter can definitely make possible a firmly held rate between these two coins.

With these principles in mind, and because of the basic position of the riyal in Saudi Arabia and the attitude of the Government and the people, the best policy will be for the Saudi Arabian Monetary Agency acting on the Government's behalf:

1. To bring foreign exchange rates for the riyal under control at the approximate level desired before issuing the new sovereign;
2. To issue the new sovereign equivalent to a specified number of riyals, and to hold the riyal firmly at the specified rate vis-a-vis the sovereign, subject of course to the above principles.

Thus the new sovereign would have a value in foreign exchange in the range above recommended. The agency would firmly prevent it from falling below that range by buying sovereigns and/or riyals for dollars on demand in unlimited amounts. Likewise the Agency would prevent exchange rates from rising above the upper limits of the range by issuing new sovereigns and/or riyals.

The above should be regarded as transitional until the riyal can be readjusted on the lines hereinafter proposed.

The key to the program, therefore, is the choice of the best level for the riyal. This level should be chosen with great care so as to cause the

least possible disturbance, and should be a rate conducive to equilibrium.

The following criteria apply to the choice of the level:

- a. It should be as near as practicable to rates prevailing in the recent past to which the public are accustomed and to which the country's economy has become adjusted.
- b. It should be as little vulnerable as possible to any change in the silver price that is now foreseeable.
- c. It should be a level which the Agency would be able to maintain, subject to major changes in the external or internal value of silver.
- d. It should have a convenient ratio to the new sovereign at the recommended range of \$10.60-\$11.00.
- e. It should as far as practicable fit into a program of subsequent readjustment of the silver and minor currency.

Recent rates

The year preceding July, 1952, saw unusual steadiness in rial-dollar rates. In the second half of 1951 middle rates averaged SR3.64 per dollar, i.e., about 3:14. In the first half of 1952 middle rates averaged SR3.723 per dollar, i.e., about 3:16. Beginning in late June of 1952, however, the rial rose in value to as high as 3:09, say 3.40 per dollar; and in the three months of July, August and September, 1952, averaged about 3:11 or 3.50 per dollar.

The following table shows monthly rates from July, 1951:

by January, 1953. This factor will be aided by the seasonal slackening of demand and by some speculative liquidation. The new gold sovereign also will be a substitute for new rials once it is well-established in the circulation, except to the extent that it is substituted for British sovereigns. Expectation of a new and lower tariff has held back imports and if such a tariff materializes fresh orders of goods may bring out rials now held by merchants. All of these factors the Agency needs to weigh in determining its rate policy.

The recent and prospective course of rates suggest for choice of a level in the approximate range of 3.20 to 3.50 per dollar, i.e., 3:11 to 3:16.

	Average value of riyal		Average	Premium
	Riyals	Dollars	parity	of N.Y.
	per dollar	per riyal	in N.Y.	over Jidda
1951				
July	3.629	\$0.276	\$0.311	12.7%
August	3.610	.277	.311	12.3
September	3.623	.276	.311	12.7
October	3.638	.275	.303	10.3
November	3.657	.274	.303	10.6
December	3.685	.272	.303	11.3
Average	3.640	.275	.307	
1952				
January	3.742	.268	.303	13.1
February	3.753	.267	.303	13.5
March	3.771	.265	.303	14.3
April	3.737	.268	.303	13.1
May	3.694	.271	.294	8.5
June	3.673	.273	.284	4.4
Average	3.728	.2675	.298	
July	3.468	.288	.285	-0.1
August	3.503	.286	.286	nil
September	3.492	.285	.286	nil

The strengthening of the riyal in the past summer was due partly to the seasonal demand of the pilgrimage. The demand for riyals during the pilgrimage was aggravated by the smaller than usual use of rupees, whose use in the country the Government had restricted last fall, and of Egyptian notes which were less used because of uncertainties in Egypt. Another factor may have been inability to digest the large supply of dollars accruing to Saudi Arabia and also to Kuwait from oil exports, some of which seem to have been converted into riyals.

Issuance of \$52 million of newly coined riyals beginning in early October should bring lower rates. These riyals should all arrive in Saudi Arabia by January, 1953. This factor will be aided by the seasonal slackening of demand and by some speculative liquidation. The new gold sovereign also will be a substitute for some riyals once it is well-established in the circulation, except to the extent that it is substituted for British sovereigns. Expectation of a new and lower tariff has held back imports and if such a tariff materializes fresh orders of goods may bring out riyals now held by merchants. All of these factors the Agency needs to weigh in determining its rate policy.

The recent and prospective course of rates argues for choice of a level in the approximate range of 3.50 to 3.75 per dollar, i.e., 3:11 to 3:16½.

For well over a year the rial has departed but slightly from this range.

Relation of rates to the price of silver

From October, 1951 the New York silver price was \$0.88 until May, when it fell to \$0.82 3/4. Since July 24 up to October 1 it has been \$0.83 1/2. Since the rial contains .34375 ounces of fine silver, its bullion parity at \$0.83 1/2 is \$0.286. This corresponds to 303.50 per dollar, and to a market rate of 3:11. The rial is now approximately at its bullion parity with New York and also Bombay, a rather uncommon situation.

Experience shows that there is little risk of smuggling rials out of the country when the rial is not more than 10%-15% below bullion parity. Thus if the present silver price holds, the rial could fall by 10% from 3:11, even to 3:18, without much risk of smuggling.

No one can safely predict the future price of silver. The most practicable assumption for purposes of the Agency's near-term operations is that the price is not likely to rise above \$0.90 1/2, since above that figure American production now sold to the U. S. Government would come onto the market, and perhaps also certain American Government silver; and that no drastic fall from the present level is likely unless the general economic situation substantially deteriorates. In short the Agency can base its immediate policy, but of course without commitment for the future, on a price range of about \$0.80-\$0.90.

What of the Bombay silver price? Until March, 1952, the Bombay parity ruled higher than New York. Yet there was no evidence of appreciable smuggling. Since the break in Indian prices in March, 1952, the Indian parity has been below that in New York and is currently equivalent to about \$0.28 which is about the rial's present value. Hence there is no need to worry about Bombay.

The following table shows the relation of various rates to the New York silver price:

Riyals per dollar		Approximate N.Y. silver price corresponding to		Premium of N.Y. silver over Jeddah at:		
Decimal figure	Approximate quotation	Parity in dollars	parity	\$0.83 1/2	\$0.88	\$0.90
3.500	3:11	\$0.266	.83	nil	6 1/2	8 1/2
3.545	3:12	.282	.82	1 1/2	7	10
3.591	3:13	.278	.81	3	9	11
3.636	3:14	.275	.80	4	10	12
3.682	3:15	.272	.79	5	11	14
3.727	3:16	.269	.78	7	13	15
3.773	3:17	.265	.77	8	14	17
4.000	4:00	.250	.73	14	21	23

The above figures show that there is no difficulty about choosing a level between 3:11 and 3:16 1/2, i.e., 3.50 and 3.75, provided that the silver price remains substantially unchanged. It also shows that 3.75 would be all right, though without any margin, at \$0.88; but might be too low a level at \$0.90. Any value for the riyal below 3.75 would run the risk of some smuggling if silver rose to \$0.88-\$0.90.

Possibility of maintaining a rate in the range of 3:11 to 3:16 1/2

With SR52 million newly coined riyals either arrived or in course of shipment, none of which had been issued prior to October 1, 1952, the Agency will, under the Stabilization Agreement with the United States, a fund of has powerful means of meeting the demand for riyals at the initial rate chosen. If, for reasons already stated, this supply does not seem adequate, during the war to provide private interests with dollars is available for additional riyals can be ordered. Even though the riyals are issued a little below cost, the maintenance of a level of exchange favorable to Government will, if the Agency accumulates an sizable large stock of riyals, in case of sale of foreign currency revenue brings advantages which will much more than offset the loss on issue of new riyals. Because of this situation, the Government rather than the Agency should assume any loss on issue of new riyal coins.

Only experience will tell how many riyals and Saudi Arabian sovereigns will be necessary to supply the country's needs at the level of exchange maintained. As to sovereigns, total orders are two million, all of which are due to arrive in October, 1952. Issuance of these, as stated, should be fully covered in riyals until the Agency is satisfied that a smaller coverage will be adequate both to maintain the ratio to the sovereign (subject to substantial changes in world prices of gold or silver), and the level of exchange chosen.

Maintenance of a stable and convenient rate between the new sovereign

and the riyal, subject to the understanding stated, will greatly add to confidence in the new sovereign. This should lead to substitution of sovereigns for riyals. But the addition of new sovereigns may be partly offset in its monetary effects by their substitution for British sovereigns.

Saudi Arabia has a growing demand for money, a material part of which is added to capital held in the form of hoards of coin in the absence of a developed system of credit and investment. Beginning in 1949 Saudi Arabia has issued a total of SR130 million. In 1949-51 many of these were smuggled out because they were issued so rapidly that the value fell too much. But experience indicates that under conditions of prosperity and expansion the country absorbs riyals at the rate of something like SR30 to SR40 million yearly without disturbance of the rate or of internal prices, provided issues of the new sovereigns, it is important that the present decision as to that they are paid out carefully as required.

Can the Agency prevent the riyal from falling? This is not an immediate problem, but rather the reverse--in contrast to the position of many currencies of the world. Prevention of a fall in value of the riyal is not difficult. This will involve acquiring silver for new coinage, either from the market or from stocks. It will involve withdrawing riyals from circulation, nearly \$5 million derived from the proceeds of lend-lease silver supplied during the War to provide private interests with dollars is available for purchase of riyals at the equivalent of a silver price of \$0.725. Beyond this, if the Agency accumulates an unduly large stock of riyals, it can if necessary use them as security for a credit to facilitate withholding them, presuming that the Agency would not wish to sell them.

The ultimate solution as discussed in the following chapter is the readjustment of the riyal and substitution of a less expensive coin which the Agency would firmly maintain at a fixed parity with the Saudi Arabian sovereign and at the level of exchange herein recommended.

Ratio of the riyal to the new sovereign

In the preceding chapter it was shown that the new sovereign should have a range of value in foreign exchange of about \$10.60-\$11.00. A ratio of 40-1 between the riyal and the new sovereign has long been discussed in Saudi Arabia. If this ratio can substantially meet the other criteria herein set forth, and if it is clearly understood that its maintenance

is subject to there being no substantial change in world prices of gold or silver, the choice of 40-1 would have the great advantage of meeting the preference of the Government and the public.

At 40-1 the riyal would have a value of \$0.265-0.275. These values correspond to a range of 3:14-3:17 per dollar. If the riyal is not brought to this approximate level, a ratio of 40-1 would give too high a value to the new sovereign, e.g., about \$11.40 at the level of about \$11 which existed about October 1. Hence unless the riyal is brought to a lower level the ratio of 40-1 is too high.

Relation of the rate to future currency reorganization

While the Government has yet to decide about currency measures to follow issuance of the new sovereign, it is important that the present decision as to the level of rates should facilitate future monetary policy.

Once the new sovereign is successfully introduced, the next measure should be to prepare and issue silver and minor coins on a decimal basis. This will involve acquiring silver for new coinage, either from the market or from riyal stocks. It will involve withdrawing riyals from circulation, first for recoinage and later probably for sale as silver.

Choice of a sovereign-riyal ratio of 40-1 would greatly facilitate a later readjustment of the riyal, if it proves feasible for the Agency to maintain that ratio. Such readjustment is discussed in the next chapter. Also that ratio if it can be maintained for a moderate time would permit revaluing the qirsh at 25 to the riyal or 1,000 to the new sovereign, as discussed in Chapter VI.

It is not easy to foresee the effects of such monetary reorganization on the internal value of the riyal. This coin might attain some scarcity value as it is withdrawn--though its value is not likely to go much above its bullion value. The Agency may well be a seller of silver, since with a fiduciary coinage less silver is likely to be needed in the circulation. Hence the Agency should avoid being put in a position in which it would be called upon to buy an undue amount of riyals at prices above what it could realize.

of gold. Conclusion re the initial rate

For reasons stated the choice as to the rial's level can be narrowed to the range of 3:11 to 3:16½ per dollar, i.e., about \$0.286 and \$0.267 respectively. The higher value almost exactly corresponds to the present parity with New York silver at \$0.83½ (about 3:11). A value above \$0.286 (3:11) would be out of line with exchange rates in the past year. In fact, 3:11 has rarely been exceeded and then only briefly since 1945, and since 1947 this level has been reached only during the summer of 1952. At 3:11 the Government would realize less from its foreign currency income. There is no convincing evidence that choice of a relatively high level would bring any material price decline or add to the effective buying power of the mass of the people. These aims, rather, should be sought on lines other than currency manipulation--by providing stability in exchange, a convenient currency interchangeable without cost, readjustment of tariff duties and improvement of customs administration, and by increased production.

On the other hand a figure below \$0.267 (3:16½) would run into the risk of outward smuggling of rials. The rial's value at that figure is about 7% below its value at the New York parity, with silver at \$0.83½. In case the silver price should rise to \$0.88, the premium on smuggling would be 13%. Rates around 3:16½ and a price of \$0.88, however, did not give rise to appreciable smuggling in the first half of 1952.

I favor the following:

1. To bring the rial to the range 3:14-3:16 or 3:15-3:17, depending on market reactions. The spread would be two qirsh, i.e., about 1% above or below the middle rate. The figures would be:

Rial-dollar quotation	3:14	3:15	3:16	3:17
Rial-dollar equivalent	3.636	3.602	3.723	3.773
Value of rial in dollars	\$ 0.275	\$ 0.272	\$ 0.269	\$ 0.265
Value of sovereign at 40-1	\$11.00	\$10.875	\$10.75	\$10.60

2. To give the new sovereign a dollar value which, depending on the decision as per paragraph 1, would be \$10.60-\$10.88 or \$10.75-\$11.00. At \$10.60 the bullion parity would be about \$45.00 per fine ounce, and at \$11.00 it would be about \$46.75. A level of \$45.00-\$46.75 for gold is not likely to be reached short of war or revaluation

of gold.

Action on the above lines will be an important step toward stability, which the market should gratefully recognize. Also it is in line with the psychology of the Government and the people and the requirements of subsequent monetary reorganization.

Need for a new rial

The present rial has served Saudi Arabia well in the past. But for reasons already explained (see especially discussion of defects of the system in Chapter I), it cannot be relied upon as a stable element in the new money system. Creation of the Monetary Agency gives Saudi Arabia machinery for doing what is reasonably practicable to steady the rial. But because the rial is a "full weight" silver coin, there can be no assurance as to how long the Agency can hold it stable.

Issuance of a new rial with smaller silver content is the only way to bring the rial within Saudi Arabia's control. It is the only way to provide a system of coins of convenient denominations that are freely exchangeable among themselves at fixed rates, without cost to the holder. The Agency will then be able to maintain fixed rates by adjusting to the demand the quantity of each coin in circulation. The Agency also will be able to provide for convertibility into dollars at stable rates.

Furthermore the Agency can make the new rial interchangeable at par with the present rial as long as there is no major change in the world value of silver or in other basic conditions. This would greatly facilitate the transition to the new system. The Agency, however, cannot be required to keep a fixed rate for the old "full weight" rial, though it can of course do much to minimize fluctuations.

The use of silver coins with a monetary value strictly maintained above their bullion value is, in my opinion, consistent with Saudi Arabian precedent and tradition. As is presently, there are the qirsh coins. These have a fixed value of 22 per rial, but are made of base metal. Because their value is sustained by adjustment of quantity to the people's needs, they are interchangeable for rials of equal value. This situation does not differ from issuing silver coins whose value would not be affected by their silver con-

with the present rial--but upon the quantity being adjusted to national requirements and upon their convertibility into gold or foreign exchange at a fixed par and without loss to the holder. Thus like the present qirah coins, they would need the requirement of convertibility into things of equal value.

V. READJUSTMENT OF THE RIAL

In accordance with Article 10, the rial is to be readjusted.

Issuance of such silver coins would not be dependent of the currency.

Need for a new rial

The term "debasement" properly applies only when a country has not retained a system of coins that pass current primarily by weight. Since a silver coin, reasons already explained (see especially discussion of defects of the system in Chapter I), it cannot be relied upon as a stable element in the currency system. Creation of the Monetary Agency gives Saudi Arabia machinery for doing what is reasonably practicable to steady the rial. But because the proposed change, rather than the new coins would be limited in amount to the rial is a "full weight" silver coin, there can be no assurance as to the words of the circulation of the silver rial, and would be held firmly how long the Agency can hold it stable.

Issuance of a new rial with smaller silver content is the only way to stability at par on demand. The rial would not be of practical importance bring the rial within Saudi Arabia's control. It is the only way to provide a system of coins of convenient denominations that are freely exchangeable among themselves at fixed rates, without cost to the holder. The Agency

But regardless of the above argument, it may be recalled that the rial will then be able to maintain fixed rates by adjusting to the demand the quantity of each coin in circulation. The Agency also will be able to provide for convertibility into dollars at stable rates.

Furthermore the Agency can make the new rial interchangeable at par with the present rial so long as there is no major change in the world value of silver or in other basic conditions. This would greatly facilitate the transition to the new system. The Agency, however, cannot be required to keep a fixed rate for the old "full weight" rial, though it can of course and sometimes below the value of its silver content. These variations would do much to minimize fluctuations.

The use of silver coins with a monetary value strictly maintained above changes in foreign prices of silver; value of foreign currencies; restrictions their bullion value is, in my opinion, consistent with Saudi Arabian precedent and tradition. As to precedent, there are the qirah coins. These have a fixed value of 22 per rial, but are made of base metals. Because their value is sustained by adjustment of quantity to the people's needs, they are justified as a matter of law and precedent if His Majesty decides to make exchangeable for rials at equal value. This situation does not differ from issuing silver coins whose value would not be affected by their silver con-

tent—like the present riyal—but upon the quantity being adjusted to national requirements and upon free convertibility into gold or foreign exchange at a fixed par and without loss to the holder. Thus like the present qirsh coins, they would meet the requirement of exchangeability into things of equal value, in accordance with Sharia law.

Issuance of such silver coins would not be debasement of the currency. The term "debasement" properly applies only when a country has and maintains a system of coins that pass current primarily by weight, e.g., a silver standard, and puts out new coins with a smaller amount of bullion and then undertakes to circulate these in unlimited amounts as equal to the old coins in power to buy goods or pay debts. Nothing like that is contemplated in the proposed change. Rather the new coins would be limited in amount to the needs of the circulation at the agreed parity, and would be held firmly at a fixed rate above the value of their metallic content, by free convertibility at par on demand. The content would not be of practical importance to the people using the coins as money any more than is now the value of qirsh as metal.

But regardless of the above argument, it may be recalled that the riyal was reissued about 15 years ago and lighter weight coins substituted for the former large coins. This was justified by His Majesty's power to take important actions that are clearly for the good of the Kingdom. His Majesty was then able readily to reconcile the action with the country's traditions and law. The currency change now proposed is certainly no more drastic than the former recoinage.

Moreover, even under the present system the riyal is sometimes above and sometimes below the value of its silver content. These variations result from such causes as issuance or non-issuance of newly-coined riyals; changes in foreign prices of silver; sales of foreign currencies; restrictions on export of coins; and the extent to which gold sovereigns are put into circulation.

For the above reasons it seems clear that the proposed change can be justified as a matter of law and precedent if His Majesty decides it would be desirable in the interest of the Kingdom.

When should the change to the new currency basis be made? Currency change always involves some trouble and friction, and the country can stand the change best when it is prosperous and the national revenues are high. Furthermore the monetary system is now fairly steady. If the change is to be made, it is better to act while things are going well than when they are going badly, e.g., when the value of the rial cannot be held steady as has happened in the past and may happen again if no action is taken.

Types of currency readjustment used in countries with similar problems

In the past hundred years most of the world has moved from a bimetallic system of gold and silver, or some type of silver standard, to systems based upon gold. The experience of these countries gives valuable guidance as to what to do and what not to do in effecting currency reforms. The countries whose experience I analysed were based on silver primarily though some of them also made some use of gold at varying rates. The main types of reform used in shifting to a gold basis are analysed below:

1. Currency contraction. This method consists in stopping issuance of new money and waiting for growth of population and of business activity to raise the value of the coin above its bullion value by reason of additional demand. Notable examples of this method were the Indian reform of 1893-98 and the Straits Settlement reform of 1903-06.

In 1893 India closed its mints to the free coinage of silver when the exchange value of the rupee was about 15 pence and its silver content was worth about 14 pence. Due partly to this measure the price of silver fell, so that the silver in a rupee was worth only about 10 pence. The exchange value of the rupee fell to about 13 pence; and then gradually rose to 16 pence, where it was stabilized at a level well above bullion parity.

The Straits Settlements reform was similar to that of India in its underlying principle, but its execution was not very good in that there was delay and hesitation in fixing the new exchange value of the currency.

This method of reform is certainly not advisable for Saudi Arabia. Expert opinion generally agrees that this procedure, which raises the foreign exchange value of the currency and depresses prices, causes such needless hardship and disturbance to a country. In Saudi Arabia's case there would

be special objections. So many riyals have been coined, and so many might come out of hoards if their value rose, that no one could tell how long it would take to raise the value. Besides the value of the riyal for some time has been mostly below its bullion value in foreign markets. To assure against melting or export of coins their monetary value would have to be raised, not merely above the present bullion equivalent but above the equivalent at any likely higher price of silver. The price of silver might go well above its present level. Hence this type of reform would mean raising the riyal to well above 90.30. Such action would have serious deflationary effects. Also it would cause difficulties in Government finance by reducing the number of riyals realized from sale of foreign currency.

2. Fixing a new exchange rate and prompt substitution of new for old currency. Where this method was used with success the Government or the banks have held large amounts of the old silver coin and a favorable silver price has helped the reform. Good examples of this method are the reforms of Japan in 1897-98, of Mexico in 1905-07 and of China in 1935-36.

Japan's procedure was (1) to adopt a new gold yen unit; (2) to redeem the old silver yen in gold at par, which was a little above the yen's bullion value; (3) to sell the silver; and (4) to issue new silver coins of 1/2, 1/5 and 1/10 yen based on the new gold coin. Japan was able to do this both because it held a large foreign currency reserve and because the maximum amount of old silver coins that might be presented for redemption in gold was pretty well known. Aided by a rise in the silver price the reform was accomplished with success.

The Mexican and Chinese reforms were carried out under widely different conditions but had many features in common. In both cases the procedure was to fix a value for the new currency in gold or foreign exchange, to sell silver reserves and substitute reserves of gold and foreign currency, to withdraw and call old silver coins, and to issue new coins and additional paper money based on the new standard in place of the silver coins withdrawn. Mexico received its silver and also issued gold coins and gold certificates. China substituted nickel coins and bank notes. The silver rise that facilitated Mexico's reform was due largely to heavy Indian buying of silver. In China's case the rise was caused by heavy American buying which was intended

to raise the silver price; and the rise had the double effect of causing China to give up the silver standard and making it possible for China to sell its silver at good prices and thus establish currency reserves of gold and foreign exchange. Both of these reforms were successful. They were carried through promptly and caused a minimum of disturbance once they were undertaken.

This general type of silver-standard reform is the most desirable type when conditions permit. But a prompt readjustment on these lines is not now practicable for Saudi Arabia. First is the fact that the Government and people are not now prepared to adopt such a change. Experience with the transitional plan under which the new sovereign and riyal are linked at 40-1, subject to substantial changes in world prices of gold or silver, is necessary before a further step is feasible. Later when the Monetary Agency has shown by actual operations that it can maintain a more stable monetary situation, the time will be ripe for a more fundamental change.

There are several further reasons why a quick change to a new riyal is difficult:

(a) The Government and the banks do not hold a large proportion of the outstanding riyals, which could be collected and reissued, though there are some holdings of riyals in Riyadh. There is no note issue and hence no holding of note issue reserves.

(b) The existing amount of riyals in the country is not known and cannot be approximately estimated. Total coinage including orders placed in the summer of 1952 is \$270.5 million. But large amounts have been exported or melted and no one can say how much. Because the amount of riyals existing cannot be known, and because of the uncertainty of future silver prices, it would be very risky for the Government to undertake to convert riyals at rates differing much from current market prices of silver.

(c) Large amounts of riyals are held by businesses as working capital and are hoarded by individuals. It is difficult to tell in advance to what extent people may continue to hold them and to what extent these would be presented in the event of conversion.

3. Parallel circulation for some time of old and new coins. This method has been used when conditions do not permit a prompt shift to the new

Indies and the Philippines.

In 1877 the Netherlands East Indies adopted the gold standard based upon circulation of Dutch gold coinage, and the existing silver and copper coins of the Indies were tied to gold at a fixed rate. But a large part of the circulation consisted of Spanish, Mexican and other silver coins circulating at their bullion value. The Government permitted the latter silver to circulate in Sumatra and Borneo for nearly 30 years because the people both preferred it and used it extensively to finance trade with nearby silver standard countries. A further reason was the fact that during most of this period silver was depreciating, and payment of local wages and other expenses in silver was of advantage to producing companies. Meanwhile, the government continued to accept silver at about its current market value in payment of taxes, though at a small discount in order to discourage its use. Finally when nearby countries, especially the Straits Settlements, had abandoned silver, it was withdrawn from circulation in the Indies.

The Philippine currency reform of 1903-05 involved fixing a new unit equal to half the American dollar and issuing a new Philippine coinage of silver and copper. The new coins were based on the gold-exchange standard since no gold coins were issued. The value of the new fiduciary coins was maintained by limiting the quantity to the needs of the circulation at the level chosen and redeeming them by drafts in American currency; and was kept from rising by provision for issuing additional coins locally against payment in American currency.

There was difficulty in introducing the new money because its value in foreign exchange was a little above the value of the old Philippine and Mexican silver coins that had long been circulating. The old money went as far as the new in purchases in local markets, but people preferred it both because of habit and because it was cheaper to obtain. To force out the old silver money the authorities proceeded by stages. First they removed the legal tender privilege. Then they transferred all government salaries as well as all taxes and public charges to the new currency. They prohibited import of silver standard money of all kinds. They fixed a date after which the old Philippine money would be redeemed only as silver bullion and at mar-

ket rates. Finally, they passed a law, effective after several months, placing progressively increasing taxes on contracts in the old money and creating high license charges on business houses and individuals making any use of the old currency. By fixing an advance date people were given sufficient time to put their affairs on the new currency basis. These measures were effective in driving out the old money.

Conclusion re the plan best adapted to Saudi Arabia

A plan combining features of the second and third types described above is in my opinion best adapted to Saudi Arabia, taking account of present conditions and the attitude of the Government and people. The preferred plan is first to stabilize exchange in a given range as already described, but without immediately introducing a new silver coinage. Later, as soon as the situation permits, a new silver coinage would be introduced.

When the time is ripe for readjusting the riyal, some period of parallel circulation of the old and new riyals will be necessary. This might be in one of two forms. The first would result if there is no substantial change in world prices of gold or silver such as would upset the 40-1 ratio. In that case new riyals with smaller silver content could be substituted smoothly for present riyals until they substantially displace the latter in the circulation.

The second form would be if the present riyal had to be permitted to rise in value in terms of foreign exchange. In that case the new riyal should have a different value, which ought to be lower. The main elements of a plan to meet such a situation are outlined in the section at the end of this chapter entitled, "Alternative method of readjusting the riyal". But the first form is much to be preferred if world prices of silver and gold permit its adoption.

The following principles should in my opinion govern the readjustment of the system of silver coins, in the light of the general plan already set forth:

1. The new riyal, with the same monetary value as the old, should have a smaller silver content which would be worth face value at a silver price not less than \$1.293 per ounce—thus giving good protection against melting or

expert. Having the security edge as hereinafter recommended is not

2. Preferably it should be slightly larger, to make it readily distinguishable and also to sustain confidence.

3. The half and quarter riyal coins should have slightly less silver than the riyal in proportion to value, to have a higher melting point and thus to stay in circulation if some unforeseeable event should raise the silver price to the melting point of the riyal.

4. There should be a 4-riyal coin of the same silver content as the American dollar. Its melting point at the value given would be above \$1.29 per ounce. It would be equal to a tenth of the new sovereign, and fill an important gap in the present system by meeting the demand for a coin of larger denomination than the riyal.

5. All these coins should have an incised "security edge", to prevent counterfeiting.

Silver content

The present riyal, with 165 grains or .34375 ounces of fine silver, is alloy such as is now used in Great Britain, India, and elsewhere consisting worth \$0.206 as bullion with silver at \$0.831 per ounce. The riyal's bullion value has exceeded its monetary value during most of the past year, as may be seen from the following table. This suggests that a suitable alternative is shown in Chart II, but not by a margin sufficient to cause appreciable smuggling out of the coins. Clearly in a reorganized monetary system the riyal

The half and quarter riyal coins may be the same size as at present, must be given a smaller silver content to avoid risk of the coins going out of circulation, and also to reduce the cost of minting.

Saudi Arabia's silver currency will be well protected if its "melting point" is not less than \$1.293, which is the melting point of the United States silver dollar. The melting point of other United States silver coins

The proposed new 4-riyal coin, of the same size as the American 900 is about \$1.38. If the riyal is given a value of about \$0.27 the new coin should contain about 100 grains of fine silver if it is to have a melting point of \$1.293; or about 93.5 grains at \$1.38.

Size, weight and composition of new silver coins

The new riyal preferably should be a little larger than the old. If the fine silver content of the new riyal is reduced, an increase of size would help to sustain confidence. Also a larger size would permit ready sorting

of mixed lots. Having the security edge as hereinafter recommended is not enough to facilitate sorting. The Indian rupee has a security edge and is the same size as the present riyal but of smaller value, hence a rupee could be passed off as a new riyal if only the edge were examined.

The present riyal's diameter is 30.5054 millimeters. I suggest that the new riyal coins be about 31.65 millimeters in diameter, which would make them easily distinguishable.

As to weight, an increase would be unwise because the coin already is bulky. A coin's weight increases proportionately to the square of the diameter, hence a coin 31.65 millimeters in diameter and as thick as the riyal would weigh about 193 grains. To avoid increasing the weight over the present 180 grains the new coin could be slightly thinner.

If the new riyal should have the same weight as the present riyal and be 500 fine it would contain 90 grains of fine silver and its melting point would be about \$1.43. That would be a safe figure, as now foreseeable.

The best alloy for the new coin in my judgment would be a quaternary alloy such as is now used in Great Britain, India, and elsewhere consisting of 500 parts silver, 400 copper, 50 zinc and 50 nickel. But nickel is probably not available. Mint experts advise that a suitable alternative is 500 silver, 400 copper and 100 zinc or manganese.

The half and quarter riyal coins may be the same size as at present, but 500 fine. Thus their melting point would be slightly above that of the riyal. They could readily be distinguished from the present coins by the security edge. There is no need to alter the sizes to distinguish them from foreign coins that might easily be substituted.

The proposed new 4-riyal coin, of the same size as the American 900 fine silver dollar, might well have a fineness of 916 2/3, the same as the present riyal. This would simplify explaining the new coin. Its melting point at the value proposed would be around \$1.40 per ounce of silver, and thus it would be well protected. Possibly this should be the first silver coin to be issued on the new basis.

Summary of proposed silver coins and comparison

Denomination	Weight (grams)	Fineness	Silver content (grams)	Diameter (millimeters)	Thickness (millimeters)
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I. Proposed coins

4 riyal	26.244	916 2/3	24.0570	38.10	2.84
1 "	11.6638	500	5.3459	31.65	1.56
1/2 "	5.8319	500	2.6730	24.3840	1.36
1/4 "	2.9160	500	1.3365	19.5072	1.08

II. Present coins

1 riyal	11.6638	916 2/3	10.6918	30.5054	1.67
1/2 "	5.8319	916 2/3	5.3459	24.3840	1.36
1/4 "	2.9160	916 2/3	2.6730	19.5072	1.08

Quantity of new coins needed

Consideration of the need for riyals must take account of the extent of demand for the new Saudi Arabian gold sovereign.

No one can say how many British gold sovereigns are now in Saudi Arabia. In 1948-50 Aramco brought in about 10 million sovereigns for its payments to the Government. But that was far beyond the country's capacity to absorb money and most of the coins, perhaps as much as 90% were exported.

The number of new sovereigns needed will depend upon public acceptance, and in particular upon how far and how rapidly they are substituted for British sovereigns. With a rate of 40-1 for the riyal as announced by the Minister of Finance October 4, 1952, and an assured value in dollars, there is reason to expect that the Saudi Arabian people will receive the new coin well as a national coin. Substantial amounts will be held as personal and business capital. This will be partly in substitution for British sovereigns, and as an addition to capital funds as the country develops due to developing oil production and the general tendency to progress.

Modernization will gradually lead to increased banking facilities and tend to reduce hoarding. Everything practicable should be done to promote investment in various productive enterprises, rather than to hoard. But monetary habits are slow to change, and hoarding of gold and silver will continue for a long time to come.

It is impossible at present even to guess the quantity of new sovereigns

required. Only experience will tell. Some of these have been issued up to

Total coinage of silver is shown by years in Annex I and may be summarized as follows:

Year of the new	To end of 1950	SR143,500,000
	1951	50,000,000
	1952 (of which a portion is not likely to arrive before the end of the year)	77,000,000
	TOTAL	SR270,500,000

Only actual experience will show the total quantity of new silver coins. Only about SR25 million of the 1952 coinage had been issued as of October 1, 1952. But it seems reasonable to guess that the per capita circulation of

the new coins will be in the range of SR7-SR12. The requirements would be

The above totals include half and quarter riyals worth a total of SR3.5 million. But SR2 million of these constituted a recent order from Mexico and had not been issued as of October 1, 1952. It is not certain that there will be a demand for all of this recent order.

We may check these figures by comparison with other countries, although

Certainly the quantity of riyals in Saudi Arabia is much below the figure of about SR200 million issued to October 1, 1952. Many riyals have been smuggled out or melted. It has been estimated that SR2 or more million monthly were being smuggled out at certain times in former years when the riyal was at a large discount compared with the price of silver in India and elsewhere. If these figures are correct, and since the smuggling continued for extensive periods, it is possible that the stock of riyals has been re-

duced to something like SR150 million or even less. While such estimates are in the realm of guess-work, the average per capita holding if in the absence of a census we use the most common population estimate of 6 million might be something like SR20-SR30 or roughly the equivalent of \$5-\$8 at current exchange.

Since the new coins would not be full weight silver coins, they would not be hoarded as extensively as the present riyal. In Saudi Arabia silver coins traditionally have served not only for hand-to-hand circulation, but are held as personal and business capital and take the place of bank deposits and other forms of saving in more highly developed countries. Recent prosperity has added greatly to such holdings, some of which are quite large. Also many riyals are held in Riyadh.

The half and quarter riyals are not usually hoarded but circulate as-

tively. The fact that only SR1.5 million of these have been issued up to October 1, 1952, tends to confirm that the quantity of riyal coins used for actual hand-to-hand circulation is much less than the total in the country.

Fewer of the new silver coins than the present number of riyals would be needed. Undoubtedly many riyals will continue to be hoarded after currency reorganization has taken place. The proposed new 4-riyal coin, however, might prove quite popular for hoarding.

Only actual experience will show the total quantity of new silver coins needed. But it seems reasonable to guess that the per capita circulation of the new coins might be in the range of SR7-SR12. The requirements would increase gradually from the minimum over a period of time. For 6 million people, the total equivalent would be in the approximate range of 40 to 70 million new riyals.

We may check these figures by comparison with other countries, although it is very difficult to compare per capita circulation of silver coins in different countries. Monetary habits vary. Also the extent of use of paper currency of small denominations differs from country to country. In Egypt, Ethiopia, India, Indonesia and Mexico the per capita circulation of silver coin according to available data has been roughly of the order of \$1.00 per capita. It is around twice that figure in the Philippines.

Allowing for absence of paper money in Saudi Arabia, the above analysis suggests that an initial order of new silver coins equivalent to about \$2.00 per capita is advisable. A first order, therefore, might be for coins with a face value of about \$10,000,000 divided approximately as follows:

<u>Denomination</u>	<u>Pieces</u>	<u>Value in riyals</u>
SR4	2,000,000	SR 8,000,000
1	30,000,000	30,000,000
$\frac{1}{2}$	1,500,000	750,000
$\frac{1}{4}$	1,000,000	250,000
TOTAL		<u>SR39,000,000</u>

The reason for proposing so small an initial issue of half and quarter riyals is that total issue of coins of similar value ($\frac{1}{2}$ and $\frac{1}{4}$ riyal) as of October 1, 1952, is only SR1.5 million worth about \$400,000.

Arrangements should be made for prompt execution of orders placed abroad for making additional silver and minor coins to meet further demand as it develops.

The demand, as stated above, might call for a total of these coins worth \$12-\$24 million in the not distant future.

On the basis of the fine silver content of coins now contemplated, the cost of such an order of coins worth \$10,000,000 would be about \$5,500,000 with silver at \$0.83 $\frac{1}{2}$ per ounce. It would require about 6,600,000 fine ounces of silver. Hence the gross seignorage profit would be about \$4,500,000 and the net seignorage should be over 40%.

Maintenance of parity of the new coins

The basic way to assure that the coins remain at parity and neither rise nor fall in value is to adjust the quantity of each kind of coin to the demand. The Monetary Agency will prevent an increase in value by issuing more coins when required, i.e., when

their value tends to rise in terms of foreign exchange. In that case the public will seek to buy riyals from the banks, and the banks in turn will come to the Agency. (On the other hand, if the value tends to fall in foreign exchange, riyals will be presented to the banks and by them to the Agency, which will sell the exchange and withdraw the riyals from circulation. The Agency thus will regulate the amount of money needed at the fixed level of foreign exchange.

To do this the Agency needs a reserve, or regulator fund. The first source of this fund is the seignorage or the amount by which the value of the coins as money exceeds their cost. On the basis proposed this fund will amount to about 40% of the value of silver coins issued, if we assume that the price of silver remains at \$0.83 $\frac{1}{2}$ per ounce.

It is most unlikely that the Agency will need to use as much as 40% to redeem coins presented to it. Long before the 40% would be used up the circulation would be contracted so that the value of the remaining coins would rise. But in the early period of monetary reorganization there might be some tendency of people to call for redemption until they are sure that they can get full value for the new coins. There are adequate means to meet any such demand under the plan proposed.

There is the Stabilization Fund of nearly \$5 million set up by agreement with the American Government. This fund may be used to buy and hold Saudi

Arabian silver coins, figured at a price of \$0.72 $\frac{1}{2}$ per ounce. This fund further buttresses the currency.

Finally the Agency could borrow against the silver contained in coins handed in for redemption, and thus find if necessary enough additional funds to redeem practically the entire issue—to take an extreme case.

Once the new currency is firmly established the new system should work smoothly. It will be of special value to provide the extra amount of money which is needed at the time of the pilgrimage. The pilgrims will sell foreign exchange for local currency to meet their expenses in Saudi Arabia. The monetary circulation will then expand. After the pilgrimage the surplus money will come back to the Agency, which will then withdraw it until it is again needed as evidenced by a tendency of exchange rates to rise.

The reserve also will enable the Agency to withdraw local currency if at some future time there might temporarily be a lessening of business activity, e.g., in case of a slump in world demand for oil. The Government should build up and lodge with the Agency a large reserve against this contingency. Furthermore under present international conditions the Agency should hold a sizeable reserve which would be available for use in coping with disturbances due to war or threat of war.

Summarizing, the reserve fund would be created as follows:

1. By the Agency issuing all the coins for their full monetary value, and setting aside the amount by which receipts exceed cost, say 40%;
2. By use of the Stabilization Fund; and
3. By borrowing against the silver content of coins presented for redemption, if necessary.

The reserve fund would be a trust fund to be earmarked only for the following purposes and none other:

1. Payment of drafts and/or telegraphic transfers to redeem local money in foreign currency;
2. Costs of coining money and bringing it to Saudi Arabia.

The reserve would be held in the form of gold bars and Saudi Arabian gold coins in the Agency's vaults and/or abroad in banks of high standing, at

the rate of 335 per fine ounce; or in deposits in banks of high standing in New York.

A table containing a calculation of reserve for different amounts of silver coins issued is given as Annex V.

Alternative method of readjusting the rial

If as is hoped the rial can be held steady at 40 to the new gold sovereign, and at about \$0.27, the currency plan above set forth will be the simplest and best. But if before that plan is put into operation there should be major developments that move the value of the rial, such as a rise in the silver price, changes in the plan will become necessary.

In that case the Government could issue a new silver coin valued at either $1/40$ th or $1/50$ th of the sovereign. To facilitate introducing such a coin, it should have a value definitely below the value of the rial at the time or its prospective value. To choose a higher value would make it harder for the new money to gain acceptance, because of having a smaller silver content.

Choice of a rate of $1/50$ th would probably be better than $1/40$ th. The coin then would be an entirely new one. Its introduction would be easier if the old rial could be held steady at a rate bearing a simple relation to the new coin, such as five rials equal to seven of the new coin, or two equal to three.

If the readjustment has to be of this type, a fairly extended period of transition with parallel circulation of both kinds of coins would be necessary. The Government should encourage in every practicable way circulation of the new coin and, after it is well established in the people's confidence, exercise pressure against use of the old. During any period of parallel circulation shops could be required to publish the rates at which they will accept both currencies, to prevent misunderstanding as well as to prevent discrimination against the new coins. Also the Government could fix favorable rates for acceptance of the new coins for taxes, to encourage their use. Finally when the new coins are in preponderant use there might be special discriminatory taxes on purchases and sales in terms of the older coins.

Composition of new silver coins

If silver is obtainable for coinage of silver coins like the present ones, the change to the new rate of 25 per riyal would be easier.

If the new coins were exactly like the old, the public would accept the change more readily. But coinage of the quantity recommended below would require about 64,000 pounds of silver and since silver is subject to allocation it is doubtful whether this amount could be obtained. Also about

VI. READJUSTMENT OF MINOR COINAGE

The qirsh (1/22 riyal) and its subdivisions are represented by the following coins:

require about 64,000 pounds of silver and since silver is subject to allocation it is doubtful whether this amount could be obtained. Also about

Present situation

The qirsh (1/22 riyal) and its subdivisions are represented by the following coins:

193,500 pounds of silver would be needed, and copper is scarce and subject to allocation. In any case allocation would mean considerable delay.

following coins:

to allocation. In any case allocation would mean considerable delay.

If silver were available, there is a possibility of issuing coins of the following composition:

Denomination	Weight (grams)	Composition	Diameter (millimeters)	Thickness (millimeters)
1 qirsh	6.5	(75% copper)	26	1.465
1/2 qirsh	3.25	(75% copper)	23	1.46
1/4 qirsh	1.625	(25% nickel)	20	1.405

which make good coins.

Total coinage of these, which were made in 1947 in the United States

assuming silver is not available, I recommend using about 64,000

Mint, was:

has the merit of being heavier and more similar in appearance to the existing

ing qirsh.

ing qirsh.

1 qirsh 7,150,000 SR325,000

If silver were available, there is a possibility of issuing coins of the following composition:

1/2 qirsh 10,850,000 245,591

1/4 qirsh 21,500,000 244,316

present coins. If, however, silver is not available, the coins should have the

Total SR615,900

same diameter as the present coins but should be somewhat thicker because of

their relatively light weight.

The rate of the qirsh

The rate of 22 qirsh per riyal is odd and inconvenient and as soon as

practicable should be changed to 25. This would involve a slight deprecia-

tion of the qirsh, but this would soon be accepted and should cause little

disturbance. Since no individual holds many qirsh coins, no one should suffer

any appreciable loss.

This change, if in the meantime the rate of 40-1 is maintained between

the calculation of weights based on the quantity recommended for the

the riyal and the new sovereign, would make 1,000 qirsh equal one sovereign.

The present quantity of qirsh coins is inadequate, and in some places

1 qirsh 8,000,000 22,000

they have gone to a premium over 22 per riyal, i.e., to 18 or 19, at times

1/2 qirsh 4,000,000 11,000

of peak demand for money. More qirsh and 1/2 qirsh coins are needed, especially

if the value is to be reduced. The 1/2 qirsh coin is in small demand and not

many more of these are needed.

Composition of new qirsh coins

If nickel is obtainable for coinage of cupro-nickel coins like the present ones, the change to the new rate of 25 per riyal would be easier if the new coins were exactly like the old. The public would accept the change more readily. But coinage of the quantity recommended below would require about 64,500 pounds of nickel and since nickel is subject to allocation it is doubtful whether this amount could be obtained.* Also about 193,500 pounds of copper would be needed, and copper is scarce and subject to allocation. In any case allocation would mean considerable delay.

If nickel proves unavailable, there is a choice between coins of (a) aluminum alloy, and (b) chrome steel. Both are durable and make attractive coins. Many countries successfully use aluminum coins. Chrome steel is a newer alloy developed by the United States mint authorities and which they consider makes good coins.

Assuming nickel is not available, I recommend using chrome steel. It has the merit of being heavier and more similar in appearance to the existing qirsh.

If chrome steel coins are made, they should be of the same size as the present coins. If, however, aluminum is used, the coins should have the same diameter as the present coins but should be somewhat thicker because of their relatively light weight. I suggest for the qirsh coin a thickness of approximately 1.9 to 2.0 millimeters, or about a third greater than the present coins. The exact thickness could be determined on the basis of sample blanks to be approved before the order is manufactured. The Italian aluminum-magnesium-manganese coins are attractive and durable and I would favor use of a similar formula for new Saudi Arabian minor coins if made of aluminum alloy.

* The calculation of weights based on the quantity hereinafter recommended is as follows:

Coin	No. of pieces	Grams weight per coin	Total weight kgs.
1 qirsh	8,000,000	6.5	52,000
$\frac{1}{2}$ "	8,000,000	5.5	44,000
$\frac{1}{4}$ "	5,000,000	4.25	21,250
TOTAL			117,250

This weight of 117,250 kg. would comprise 29,312.5 kg. (25%) nickel and 87,937.5 kg. (75%) copper.

In any case the existing dies can be used.

Quantity needed

There is no present need to replace the existing cupro-nickel qirah coins. This could be considered later in order to make the circulation uniform. Old and new coins could circulate interchangeably, and the Saudi Arabian Monetary Agency could maintain them at par and adjust the quantity in circulation to the demand.

I suggest ordering in the first instance the quantities and denominations stated below:

<u>Denomination</u>	<u>Number of coins</u>	<u>Value in riyals</u>
1 qirah	8,000,000	SR320,000
$\frac{1}{2}$ "	8,000,000	160,000
$\frac{1}{4}$ "	5,000,000	<u>50,000</u>
	TOTAL	SR530,000

Such an order would increase the present total circulation of about SR16,000 by nearly 60%. It should suffice both to meet the further need for qirah coins and to hold a lower rate of 25 qirah per riyal.

ANNEX I

SAUDI ARABIAN COINAGE

(Data for 1936-50 inclusive are from the U.S. Mint annual reports)

I. Silver

<u>Year</u>	<u>Total</u>	<u>Cumulative</u>
1936	2,500,000	2,500,000
1937	3,000,000	5,500,000
1938	1,310,698	6,810,698
1939	389,302	7,200,000
1940	1,000,000	8,200,000
1941	NA	8,200,000
1942	NA	8,200,000
1943	NA	8,200,000
1944	30,000,000	38,200,000
1945	17,000,000	55,200,000
1946 (a)	10,288,000	65,488,000
1947 (b)	14,712,000	80,200,000
1948	3,300,000	83,500,000
1949	60,000,000	143,500,000
1950	nil	143,500,000
1951	50,000,000	193,500,000
1952 (c)	77,000,000	270,500,000

(a) Includes 500,000 in $\frac{1}{2}$ riyals and 500,000 in $\frac{1}{4}$ riyals,

(b) Includes 250,000 in $\frac{1}{2}$ riyals and 250,000 in $\frac{1}{4}$ riyals,

(c) Includes 1,000,000 in $\frac{1}{2}$ riyals and 1,000,000 in $\frac{1}{4}$ riyals.
The 1952 figures also comprise 25,000,000 riyals ordered in 1951 but received early in 1952 and 52,000,000 riyals ordered in 1952 whose delivery is not likely to be completed until January, 1953.

II. Minor coins

The following cupro-nickel coins were obtained in 1947:

	<u>Number</u>	<u>Value in riyals</u>
1 qirsh	7,150,000	SR325,000
$\frac{1}{2}$ qirsh	10,850,000	246,591
$\frac{1}{4}$ qirsh	21,500,000	244,318
TOTAL		SR815,909

III. Gold

As of October 1, 1952, the following Saudi Arabian gold sovereigns have been coined or ordered but not officially issued:

	<u>Number</u>
1951	1,000,000
1952	1,000,000
TOTAL	2,000,000

In 1945 and 1947 orders for 91,210 and 121,364 gold discs respectively were executed in the United States.

IV. Place of minting

ANNEX II

BRITISH SOVEREIGN AND SOVEREIGN-RIYAL RATES OF EXCHANGE AT JIDDA, 1945 - 52

Source: Netherlands Trading Society and Banque de l'Indochine daily records, except that sovereign quotations to April, 1947, are from Aramco.

	British Sovereign, George Head In Riyals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1945				
Aug. 15 - 31	61.00	57.75	19.00	19.00
September	63.00	57.50	21.00	19.00
October	66.41	60.75	21.00	18.50
November	70.00	65.41	19.00	19.00
December	71.25	67.25	19.00	19.00
Year 1945 from Aug. 15	71.25	57.50	21.00	18.50
1946				
January	74.00	70.00	19.00	18.00
February	84.25	73.86	18.50	18.00
March	89.00	79.50	20.00	19.00
April	80.75	72.36	20.00	19.00
May	74.50	66.75	19.00	19.00
June	69.00	66.25	19.00	18.00
July	68.68	61.50	18.00	18.00
August	63.75	62.00	18.00	18.00
September	63.25	60.00	18.00	18.00
October	67.50	60.50	18.00	18.00
November	67.00	65.00	18.00	18.00
December	69.50	67.00	18.00	17.00
Year 1946	89.00	60.00	20.00	17.50
1947				
January	68.50	67.50	18.00	17.00
February	68.50	67.50	18.00	17.50
March	68.25	65.75	17.50	17.00
April	66.91	60.00	15.25	15.00
May	61.00	58.00	15.25	14.75
June	64.50	60.00	14.75	14.25
July	64.50	61.75	14.50	14.00
August	62.00	61.25	14.50	14.00
September	69.50	62.00	14.50	14.00
October	68.00	66.50	14.30	14.25
November	68.25	67.00	14.50	14.25
December	69.00	68.00	16.50	14.30
Year 1947	69.00	58.00	16.50	14.00

	British Sovereign, George Head In Riyals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1948				
January	68.00	63.25	16.00	13.75
February	66.00	62.50	14.75	13.50
March	66.14	65.00	15.00	14.00
April	64.68	63.25	14.25	12.75
May	63.00	61.45	13.00	13.00
June	65.00	61.00	13.50	13.05
July	65.00	62.00	---	---
August	62.00	61.00	14.30	13.60
September	60.25	54.00	13.90	13.70
October	57.50	54.25	14.05	13.25
November	57.00	52.75	13.30	13.20
December	53.25	52.25	13.25	13.13
Year 1948	68.00	52.25	16.00	12.75
1949				
January	52.50	48.00	13.13	12.25
February	51.25	47.25	12.75	12.00
March	49.75	45.00	12.50	11.70
April	53.50	50.00	13.25	12.60
May	57.50	53.50	13.10	12.65
June	57.75	56.25	12.75	12.40
July	60.00	57.00	12.25	11.95
August	60.00	58.75	12.40	12.10
September	59.75	56.50	12.50	12.40
October	61.00	58.00	12.80	12.70
November	62.25	57.50	12.90	12.40
December	59.00	58.00	12.40	11.65
Year 1949	62.25	45.00	13.25	11.65
1950				
January	58.75	57.50	11.65	11.20
February	58.09	56.00	11.35	11.15
March	56.75	51.00	11.34	10.95
April	54.50	53.50	11.15	10.90
May	53.75	52.25	10.88	10.65
June	52.00	47.50	11.00	10.25
July	49.50	47.50	11.15	10.30
August	49.25	48.00	11.45	11.00
September	48.25	46.50	12.00	11.50
October	49.25	46.50	11.90	11.45
November	47.00	45.00	11.60	11.27
December	45.25	41.00	11.66	11.32
Year 1950	58.75	41.00	12.00	10.25

	British Sovereign, George Head In Rivals		British Sovereign, George Head In U. S. Dollars	
	High	Low	High	Low
1951				
January	46.25	42.25	12.90	11.70
February	46.00	45.00	12.00	12.00
March	46.50	45.25	12.08	12.00
April	48.25	46.25	12.20	12.00
May	49.32	47.00	12.75	12.23
June	47.25	45.50	13.00	12.65
July	46.00	44.91	12.65	12.48
August	45.50	45.00	12.60	12.48
September	46.36	45.27	12.76	12.53
October	47.00	46.00	12.76	12.70
November	46.55	46.00	12.74	12.55
December	45.82	44.75	12.49	11.92
Year 1951	49.32	42.25	13.00	11.70
1952				
January	45.14	44.82	12.06	11.98
February	45.09	44.91	12.02	11.90
March	45.00	44.86	12.03	11.78
April	44.91	44.36	12.08	11.95
May	44.64	44.36	12.13	12.00
June	44.46	42.82	12.06	11.98
July	43.00	40.75	12.15	11.98
August	42.64	41.75	12.12	11.97
September	42.77	42.33	12.18	12.08
Year 1952, 9 months	45.14	40.75	12.18	11.78

ANNEX III

EXCHANGE VALUE OF THE RIYAL AT JIDDA COMPARED WITH VALUE OF
SAME WEIGHT OF SILVER AT NEW YORK AND BOMBAY

(Bombay prices are converted to dollars based on the rupee's value in the free market at Jidda and are monthly averages except that figures since May, 1951, are for mid-month)

Date	Riyal value mid-month	Riyal parity in terms of average silver price at:		Date	Riyal value mid-month	Riyal parity in terms of average silver price at:	
		New York	Bombay			New York	Bombay
<u>1946</u>							
Jan.	.25	.243	.288	<u>1950</u>			
Feb.	.232	.243	.299	Jan.	.203	.252	.301
Mar.	.241	.243	.356	Feb.	.196	.252	.314
Apr.	.255	.243	.403	Mar.	.204	.251	.321
May	.268	.243	.480	Apr.	.205	.247	.323
June	.27	.243	.445	May	.203	.25	.339
July	.271	.31	.408	June	.218	.25	.326
Aug.	.276	.31	.412	July	.227	.25	.321
Sep.	.29	.31	.390	Aug.	.236	.25	.316
Oct.	.29	.309	.387	Sep.	.252	.25	.316
Nov.	.276	.31	.355	Oct.	.243	.258	.321
Dec.	.265	.298	.333	Nov.	.247	.276	.312
				Dec.	.259	.276	.317
<u>1947</u>							
Jan.	.265	.262	.353	<u>1951</u>			
Feb.	.256	.248	.364	Jan.	.273	.303	.329
Mar.	.262	.265	.392	Feb.	.263	.311	.341
Apr.	.265	.259	.424	Mar.	.266	.311	.338
May	.291	.249	.42	Apr.	.26	.311	.351
June	.245	.229	.406	May	.249	.311	.356
July	.238	.218	.367	June	.276	.305	.36
Aug.	.243	.226	.389	July	.276	.311	.334
Sep.	.229	.242	.342	Aug.	.278	.311	.319
Oct.	.241	.246	.314	Sep.	.277	.311	.310
Nov.	.236	.256	.326	Oct.	.275	.303	.305
Dec.	.235	.256	.380	Nov.	.274	.303	.307
				Dec.	.273	.303	.296
<u>1948</u>							
Jan.	.227	.256	.369	<u>1952</u>			
Feb.	.234	.256	.324	Jan.	.268	.303	.322
Mar.	.236	.256	.334	Feb.	.266	.303	.304
Apr.	.226	.256	.331	Mar.	.264	.303	.268
May	.216	.256	.331	Apr.	.267	.303	.280
June	.22	.256	.339	May	.272	.295	.285
July	.228	.256	.357	June	.273	.284	.265
Aug.	.236	.253	.37	July	.290	.285	.277
Sep.	.244	.258	.357	Aug.	.283	.286	.290
Oct.	.255	.265	.363	Sep.	.288	.286	.289
Nov.	.24	.252	.331				
Dec.	.249	.24	.374				
<u>1949</u>							
Jan.	.248	.24	.377				
Feb.	.252	.243	.404				
Mar.	.252	.246	.407				
Apr.	.255	.246	.388				
May	.228	.246	.378				
June	.222	.246	.371				
July	.203	.246	.317				
Aug.	.208	.247	.298				
Sep.	.221	.2515	.30				
Oct.	.217	.252	.301				
Nov.	.216	.252	.305				
Dec.	.206	.252	.291				

ANNEX IV

DECREE *

No. 30/4/1/1046

Date: 25 Rajab 1371
(April 20, 1952)

With the Help of God Almighty,

We Abdul-Aziz Ibn Abdul-Rahman Al-Faisal, King of Saudi Arabia,

In view of what our Minister of Finance has submitted to Us, and in view of the fact that the necessary measures to be taken to strengthen the currency of the State and to stabilize its value and to fix this value in relation to foreign currencies are necessitated by the interest of the State and people, and also to avoid the losses resulting to the Treasury and the people from fluctuations in the value of foreign currencies resulting because there is no fixed and stable value for the Saudi Arabian currency in relation to foreign currencies,

We therefore ordain the following:

Article 1. There is hereby created according to these regulations an institution to be called "Saudi Arabian Monetary Agency," the main operating office in which it shall start its functions to be in Jidda. It shall have branches and agencies in the places where required.

Article 2. The functions of this Agency shall be:

First: To strengthen the currency of the State and to stabilize its value and to fix its value in relation to foreign currencies.

Second: To aid the Ministry of Finance in centralizing the receipts and expenditures of the Government, and in controlling expenditures in accordance with the items of the authorized budget.

Third: The Agency shall neither charge nor pay any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic Law.

.....

*

The two Decrees, 30/4/1/1046, and 30/4/1/1047, and the Charter were published in the Supplement to the Official Gazette, Om el Qura, No.1410, dated 3 Shaban, 1371 (April 27, 1952)

D E C R E E

No. 30/4/1/1047

Date: 25 Rajab 1371
(April 20, 1952)

With the Help of God Almighty,

We Abdul-Aziz Ibn Abdul-Rahman Al-Faisal, King of Saudi Arabia,

Upon seeing the Decree No. 30/4/1/1046 issued 25 Rajab 1371 and

the Charter for the Saudi Arabian Monetary Agency, which is

attached to this Order and which consists of twelve articles, and

In view of what Our Minister of Finance has submitted to Us,

We ordain the following:

The Charter for the Saudi Arabian Monetary Agency referred to
above and attached to this Order is hereby sanctioned, and We
order putting it into effect.

CHARTER OF THE SAUDI ARABIAN MONETARY AGENCY

I. Creation and Objects

1. There is hereby created according to these regulations an Institution to be called "Saudi Arabian Monetary Agency", the main operating office in which it shall start its function to be in Jidda. It shall have branches and agencies in the places where required.

2. The objects of the Agency shall be:

- (a) To strengthen the currency of Saudi Arabia and to stabilize it in relation to foreign currencies, and to avoid the losses resulting to the Government and the people from fluctuations in the exchange value of Saudi Arabian coins whose rates have not so far been fixed in relation to foreign currencies which form the major part of the Government's income.
- (b) To aid the Ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget.

II. Capital

3. The Agency shall have an authorized capital equivalent to 500,000 gold sovereigns (calculated at \$12.00 and equivalent to \$6,000,000). The Government shall provide the entire capital of the Agency. At least two-thirds of the capital shall be paid in prior to commencement of operations. Paid in capital shall include the value of a building or buildings and equipment which the Government may provide.

III. Operations

4. The Agency shall have the following functions in relation to currency:

- (a) To stabilize and maintain the external and internal value of the currency.
- (b) To hold and operate any monetary reserve funds as separate funds earmarked for monetary purposes only.
- (c) To buy and sell for Government account gold and silver coin and bullion.

- (d) To advise the Government about new coinage and handle the manufacture, shipment and issue of all coins; it being understood that coins would be issued only through and at the request of the Agency.
- (e) To regulate commercial banks, exchange dealers and money changers as may be found appropriate.

5. The Agency shall aid the Ministry of Finance in centralizing the receipts and expenditures of the Government in accordance with the items of the authorized budget and in controlling payments so that all branches of the Government shall abide by the budget. To that end the Agency shall have the following functions:

- (a) To receive and act as depositary for all revenues including receipts from concessionaire companies, from customs, from the Haj and from other sources, and to maintain deposit accounts under such heads as the Government through the Minister of Finance may direct.
- (b) To act as agent for the Government in paying out funds for purposes duly approved by the Government through the Minister of Finance.

6. The Agency shall establish a Research Department to collect and analyze data needed to aid the Government and the Agency in formulating and carrying out financial and economic policies.

7. The Agency shall not charge any profits on its receipts and payments and shall not act in any manner which conflicts with the teachings of the Islamic Law. The Agency shall not undertake any of the following functions:

- (a) Paying or receiving interest.
- (b) Receiving private deposits.
- (c) Making advances to the Government or to private parties.
- (d) Engaging in trade or having an interest in any commercial, industrial or agricultural enterprise.
- (e) Buying or holding fixed property except what the Agency reasonably needs for its operations.
- (f) Issuing currency notes.

IV. Direction and Administration

8. The Agency shall be under the control of a Board of Directors which shall be generally responsible for its efficient administration and operation and shall have such powers as are necessary and appropriate to that end. The Board of Directors may make such rules and regulations as it may consider necessary and appropriate to the conduct of the work of the Agency in accordance with this charter. In the event that changes in this charter are found necessary, the Board of Directors shall recommend them to the Government through the Minister of Finance.

9. The Agency in the name "Saudi Arabian Monetary Agency shall be a corporation with continuing succession. The Agency is authorized to take such action as may be necessary and appropriate to give effect to this charter including, but without thereby limiting its authority, authority to make contracts, to acquire and hold and pledge assets, and to incur such liabilities as are necessary and appropriate to the conduct of its operations.

10. The Board of Directors shall consist of a President, a Vice-President, a Governor of the Agency, and two other members. These shall be appointed by an order of His Majesty the King upon nomination by the Minister of Finance.

11. The Minister of Finance shall nominate the Governor of the Agency and obtain an order for his appointment from His Majesty the King. The Governor shall not be removed from office except by an order from His Majesty the King.

V. Reports and Audit

12. The Agency shall render to the Government through the Minister of Finance monthly reports of its operations. The Agency shall be subject to audit by auditors appointed by the Government.

ROYAL DECREE

No. 30/4/1/1743

With the help of God Almighty,

We Abdul-Aziz Ibn-Abdul-Rahman Al-Faisal, King
of Saudi Arabia,

Upon seeing the Decree No.30/4/1/1046 issued 25th
Rajab 1371, and

In view of what our Minister of Finance has sub-
mitted to us in No.7281 dated 7th Thu Al-Qi'dah, 1371,

We ordain the following:-

ARTICLE 1: Mr. George A. Blowers shall be appoint-
ed as Governor of the Saudi Arabian Monetary Agency.

ARTICLE 2: The Minister of Finance shall put this
order into effect.

COPY OF ROYAL DECREE

No.30/4/1/1046
Date, 14th Thu Al-Qi'dah, 1371.

With the help of God Almighty,

We Abdul-Aziz Ibn-Abdul-Rahman Al-Faisal, King of Saudi Arabia,
upon seeing the Decree No.30/4/1/1046 issued 25th Rajab 1371, and

In view of what our Minister of Finance has submitted to us in
No.7352 dated 12th Thu Al Qi'dah 1371,

We ordain the following:-

ARTICLE 1: The Board of Directors of the Saudi Arabian Monetary
Agency shall be composed of the following persons:

President	Abdullah Al-Suleiman
Vice-President	Najib Ibrahim Salha
Governor	Mr. Geo. A. Blowers
Member	Hussein Attas
Member	Salem Bin Mahfooz
Member	Rasem Al-Khalidi

ARTICLE 2: The Minister of Finance shall put this order into
effect.

ANNEX V

CALCULATION OF RESERVE FOR SILVER COINS

(Amount in millions)

New silver coins issued*	Stabilization Fund: Amt. available if coins bought at \$.725 per oz.	Seignorage at 40% based on silver at \$.83¼ per oz.	Amount that could be borrowed at \$.70 per oz. on silver coins held by the Agency, over and above those bought by the Stabilization Fund		Total reserve available: total of columns marked (1) (2) & (3)	Per cent of reserve to issue		
Value	Fine silver content, oz., approx.	Silver bought, ounces	Cost (1)	(2)	Silver available, ounces	Amount borrowed (3)	Cash	
\$10	6.6	6.5	\$4.7	\$ 4.0	.1	\$.07	\$ 8.77	88%
15	9.9	6.5	4.7	6.0	3.3	2.31	13.01	87
20	13.2	6.5	4.7	8.0	6.7	4.69	17.39	87
25	16.5	6.5	4.7	10.0	10.0	7.00	21.70	87

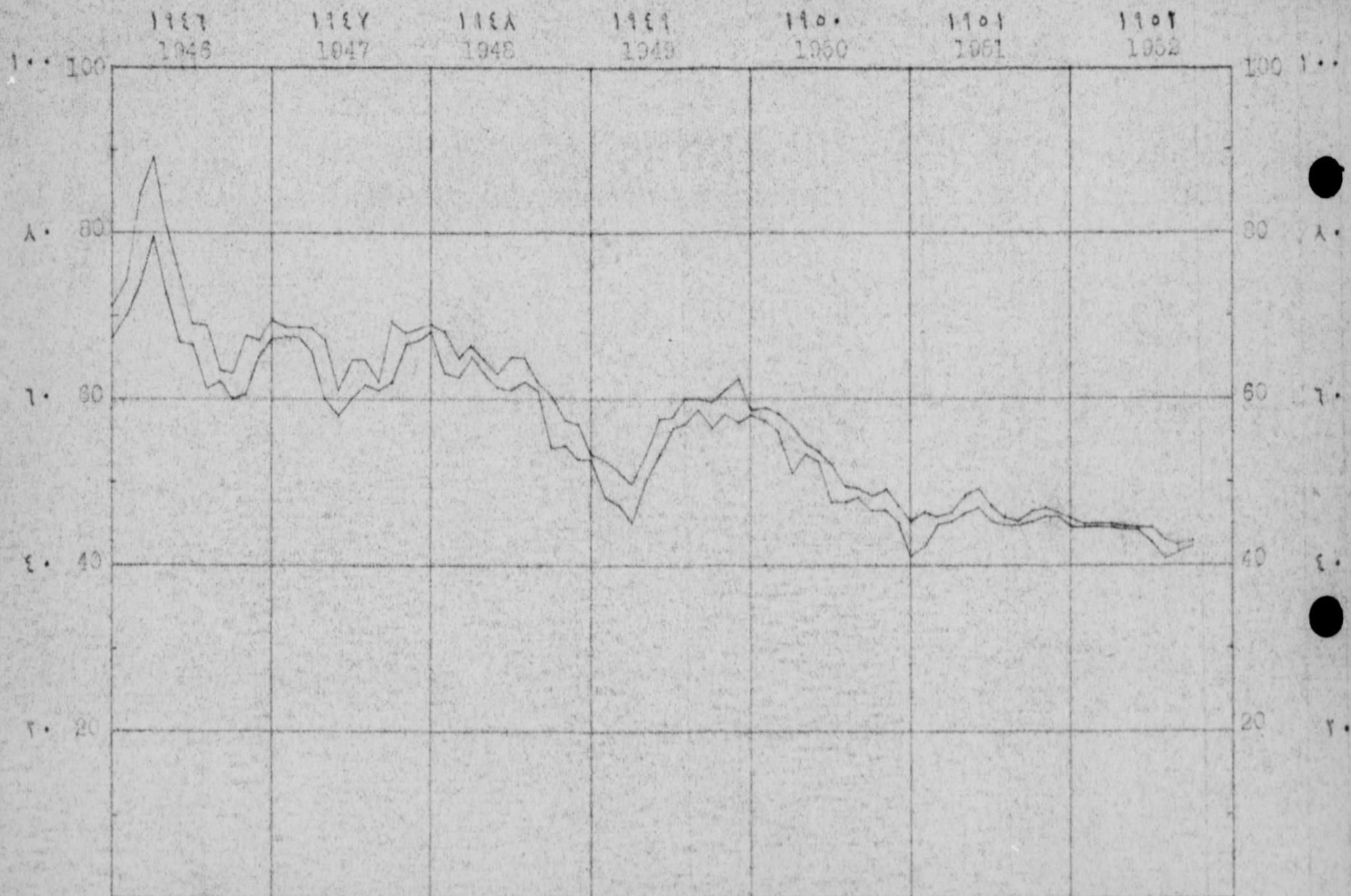
* The fine silver content of these coins is figured on the assumption that 22% are 4-riyal coins, 75% are riyals, and 3% fractional silver coins.

سعر الجنيه الذهب (جورج) بالريالات في جدة خلال ١٩٤٦ - ١٩٥٢

Riyal Sovereign (George Head) rates at Jidda : range 1946 - 1952

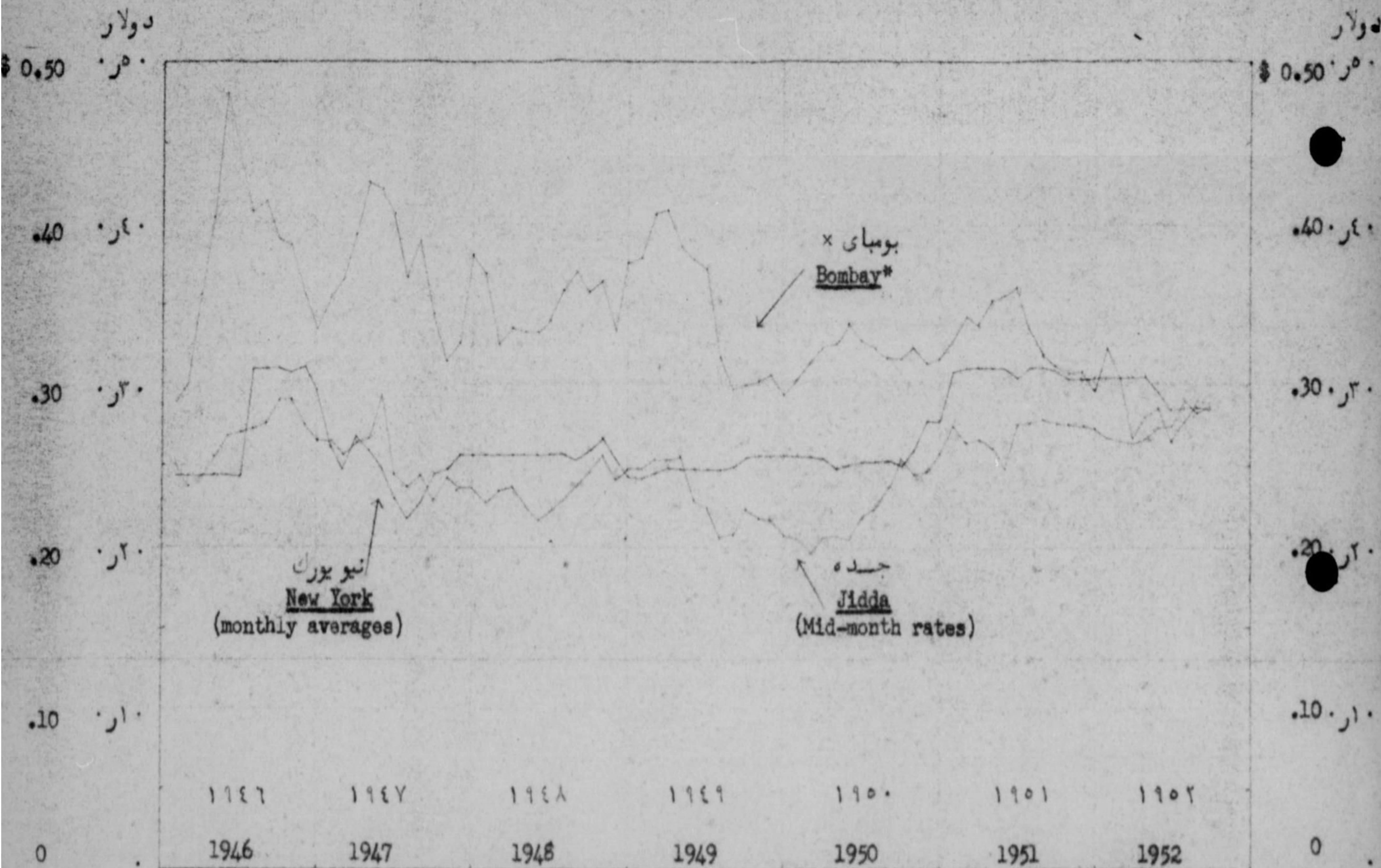
سعر الجنيه بالريالات
Riyals per
Sovereign

سعر الجنيه بالريالات
Riyals per
Sovereign



قيمة الريال بالدولارات الأمريكية في سوق جدة مقارنة مع قيمة ما يحويه من الفضة في نيويورك وبومباي *

EXCHANGE VALUE OF THE RIYAL AT JIDDA COMPARED WITH VALUE OF SAME WEIGHT OF SILVER AT
NEW YORK AND BOMBAY*



* أسعار بومباي محولة الى دولارات على اساس قيمة الروبية في سوق جدة الحرة وهي معدل الاسعار الشهرية ما عدى الاسعار منذ شهر مايو ١٩٥١ فهي اسعار نصف الشهر.

* Bombay prices are converted to dollars based on the rupee's value in the free market, at Jidda and are monthly averages except that figures since May, 1951, are for mid-month.

حضرة صاحب المعالي الشيخ عبد الله السليمان وزير المالية للمملكة العربية السعودية

الأفخم

جده

يا صاحب المعالي ،

لي الشرف بان اقدم لمعاليتكم فيما يلي تقريرى عن النقد العربي السعودى ، ولما كان تحسين نظام النقد بشير عدد كبير من المشاكل الصعبة المتصلة ببعضها اتصالا وثيقا فقد وجدت من الحكمة القيام بهذه الدراسة المنظمة .

ويشتمل التقرير على أمور سبق رفعها لمعاليتكم متعلقة بالاجراءات النقدية التي وضعت موضع التنفيذ في اكتوبر ١٩٥٢ ، ويحتوى ايضا على بحث يتضمن تدابير اخرى لتحسين العملة اوصي باتباعها بعد انقضاء مدة جارى خلالها اختبار الاجراءات المتخذة في اكتوبر سنة ١٩٥٢ . وهذه الاجراءات ، كما تعلمون معاليتكم تعرض البلاد العربية السعودية لاحتمال حدوث تغييرات مردها الى كون الريال عملة فضية " ثقيلة " ولذلك يجب اعتبارها كاجراءات انتقالية لان العمل بموجبها على اساس الاسعار المعلنة الآن يمكن ان يصبح صعبا في حالة حدوث تغييرات كبيرة في الاسعار العالمية للذهب او الفضة . ومع ذلك فاني ارى بان هذه الاجراءات قابلة للتطبيق ريثما تحدث مثل هذه التغييرات الكبيرة ، واحتمال حدوث تغييرات في المستقبل القريب قد تؤدى الى احباط هذه الاجراءات لا يكفي لاعتبار تطبيقها كنظام انتقالي مجانباً للحواب .

ويهمني بصورة خاصة ان اعبر لمعاليتكم عن شكرى لاهتمامكم الدائم بهذا العمل ، واقدم شكرى ايضا لصاحب السعادة نجيب بك صالحة وكيل وزارة المالية المساعد ، واذكر ان معاليتكم في الجلسة الاولى التي عقدت يوم وصولي الى جده (١٢ يولييه ١٩٥١) قد اشرت بان الحاجة تدعو الى ايجاد هيئة جديدة لتساعد في ادارة شئون النقد والامور المالية . وقد اذت هذه الاشارة التي تدل على بعد نظر معاليتكم الى اعداد وانشاء مؤسسة النقد العربي السعودى التي افتتحت في الرابع من اكتوبر ١٩٥٢ . وانشاء المؤسسة قد اوجد الاداة التي ستتولى معالجة المشاكل المبحوثة في هذا التقرير ، وبذلك أصبح تنفيذ الاجراءات المعلن عنها في اكتوبر ١٩٥٢ في حيز الامكان .

اني مدين لكثيرين بالعمون وتقدير الآراء - ومنهم اولئك الذين قاموا في السابق بدراسة العملة وحاولوا ايجاد الوسائل لتحسينها ، وقد حصلت على معلومات قيمة ومساعدة كبيرة من عدد من موظفي الحكومة وموظفي المصارف القائمة في البلاد العربية السعودية ، ومن بعض رجال الاعمال وموظفي شركة الزيت العربية السعودية . واجد لزاما على في النهاية ان اثبت شكرى للمستر جورج ا . بلاورز ، محافظ مؤسسة النقد العربي السعودى ، وراسم بك الخالدي نائب المحافظ والدكتور ا . ن . مالاود من موظفي المؤسسة

لمعاونتهم اياي في بحث المشاكل ومشاركتهم في قراءة جزء من مسودة التقرير أو كلها ، ولتقديمهم كثيرا من الاقتراحات القيمة . واني بالطبع اتحمل كامل المسئولية بشأن الآراء الواردة في التقرير .
وختاما ، أقوم برفع هذا التقرير بوصفي خبيرا أوفدته حكومة الولايات المتحدة تلبية لطلب حكومة المملكة العربية السعودية ، ومن الضروري أن يفهم بأن الآراء التي ابدتها لا تمثل رأي حكومة الولايات المتحدة

المخلص

آرثر ن . يونغ
المستشار المالي

النقد العربي السعودي

تقرير مرفوع

الى حضرة صاحب المعالي الشيخ عبد الله السليمان
وزير المالية في المملكة العربية السعودية

من قبل

آرثر ن . يونغ
المستشار المالي

إدارة التعاون الفني للولايات المتحدة الأمريكية
جده ، المملكة العربية السعودية

أكتوبر ١٩٥٢ •

محتويات التقرير النقد العربي السعودي

- ١ نظام النقد العربي السعودي والعمل به
موجز النظام
كمية النقد المتداولة
اسعار الصرافة والأثمان
محاسن النظام وعيوبه
المميزات الخاصة التي تؤثر في الخطط الموضوعة لتعديل نظام النقد •

- ٢ اختيار قاعدة خاصة للنقد
نظام المعدنين
الوسائل المؤدية الى جعل نظام النقدين الحالي قابلا للتطبيق
قاعدة الفضة
الجنيه الذهبي الانكليزي
الاسترليني
الذهب بسعر ٣٥ دولارا للاوقية الواحدة
الجنيه الذهبي العربي السعودي •

- ٣ ادخال الجنيه الذهبي العربي السعودي
القيمة التي يجب ان تعطى للجنيه الجديد
وسائل المحافظة على قيمة الجنيه الجديد
وضع الجنيه الذهبي الانكليزي
وضع الريال

- ٤ اسعار الجنيه الجديد والريال
الأسعار الحديثة
علاقة الأسعار بثمان الفضة
امكانية المحافظة على سعر في حدود ٣١١ - ٣١٦ ١/٢ ر
نسبة الريال الى الجنيه الجديد •

علاقة السعر بالتدابير المستقبلية لإعادة تنظيم العملة

النتيجة فيما يتعلق بالسعر المبدئي

• ٥ تعديل الريال

• الحاجة الى ريال جديد

الاسباب المتبعة لتعديل العملة في البلاد التي تشكو من نفس المشاكل

النتيجة فيما يتعلق بأكثر الخطط ملائمة للبلاد العربية السعودية

المحتويات من الفضة

• حجم ووزن وتركيب قطع النقد الفضية الجديدة

موجز عن قطع النقد الفضية المقترحة ومقارنتها

الكمية التي يحتاج اليها من قطع النقد الجديدة

المحافظة على التناسب بين قطع النقد الجديدة

الطريقة الأخرى لتعديل الريال

• ٦ تعديل قطع النقد الصغيرة

الوضع الحالي

سعر القرش

تركيب قطع القروش الجديدة

• الكمية اللازمة

ملاحق

• ١ صك النقود الفضية للبلاد العربية السعودية

• ٢ أسعار صرافة الجنيه - الريال والجنيه الذهبي الانكليزي في جدة في ١٩٤٦ - ٥٢

• ٣ القيمة الصرافية للريال في جدة بالنسبة لقيمة نفس وزنها من الفضة في نيويورك وبومباي

• ٤ المراسيم الملكية الصادرة بتاريخ ٢٠ ابريل ١٩٥٢ بشأن انشاء مؤسسة النقد العربي السعودي

• والأخرى الصادرة بتاريخ ٥ اغسطس ١٩٥٢ بشأن تعيين محافظ المؤسسة واعضاؤها مجلس الادارة

• ٥ حساب الأموال الاحتياطية اللازمة للنقود الفضية

الرسوم البيانية

١. اسعار الريال - الجنيه الذهبي جورج في جده خلال المدة ١٩٤٦ - ٥٢

٢. القيمة الصرافية للريال في جده بالنسبة لقيمة نفس وزنها من الفضة في نيويورك وبومباي •

الذهب	الريال بالدرهم	النقود	ريال الفضة بالدرهم	خلال السبعة اشهر من سنة ١٩٥٦
الجنيه الانكليزي	٢,١٨٨.٥٦٤	٢,١٦٦	١,٧٣١,٢٨٥	سرا ١٢ دولا
الفضة السودانية	٢,١٨٨.٥٦	٢,١٦٦	٢,٣١٢,٣٢١	لم يمتد حتى ١ اكتوبر ١٩٥٦
الفضة	٢,١٦٦	٢,١٦٦	٢,١٦٦	
الريال	٢,١٦٦	٢,١٦٦	٢,١٦٦	
نصف الريال	١,٠٨٣	١,٠٨٣	١,٠٨٣	
ربع الريال	٥٤١	٥٤١	٥٤١	
القطع الصغيرة				
القرش	سرا	١٢٥	١٢٥	الريال بخار
نصف القرش	سرا	١٢٥	١٢٥	٢٢٤
ربع القرش	سرا	١٢٥	١٢٥	

• هذا بخلاف ١٦٥ ر ١٢٥ قيمة (نصف) ر ٢٢٥ ر ١٢٥

• هذا بخلاف ١٦٥ ر ١٢٥ قيمة (نصف) ر ٢٢٥ ر ١٢٥

النقد العربي السعودي

١. نظام النقد في البلاد العربية السعودية وكيفية العمل به

مجمال النظام

ان نظام النقد في البلاد العربية السعودية فريد في عالم اليوم ، فالعملة السعودية أصعب العملات جميعا وهي تقوم على وحدتين نقديتين تتألفان من الجنيهات الذهبية الانكليزية والنقود الفضية السعودية وقطع النقد الصغيرة . ويجرى التداول بالنقود الذهبية والفضية مبدئيا على اساس محتوياتها المعدنية وقيمتها فـ في الأسواق العالمية ، ولكنها لا تتبع القيم الخارجية بدقة بسبب الاحوال المحلية والقيود المفروضة على استيراد وتصدير الذهب والفضة في هذه البلاد وغيرها من بلدان العالم . والنقد الوحيد الموثوق يتألف من قطع النقد الصغيرة من فئات القرش ونصف القرش وربع القرش ، بقيمة ٢٢ قرشا للريال الواحد . لم تكن للبلاد في اى وقت من الاوقات عملة ورقية خاصة بها — على الرغم من ان الروبيات الهندية وبعض العملات الأخرى تستعمل على نطاق ضيق في المناطق الساحلية وخصوصا في موسم الحج .

وتحتوى قطع النقد المختلفة ، بما في ذلك الجنيهات السعودية الذهبية التي جرى سكها مؤخرا ،

على ما يلي . -

سعر الصرف التقريبي

الذهب	الوزن بالغرام	النقاوة	وزن المعدن النقي بالغرام	خلال التسعة الشهور الاولى من سنة ١٩٥٢
الجنيه الانكليزى	٧.٩٨٨٠٥٦٧	٠.٩١٦٤	٧.٣٢٢٣٨٥	— ١٢ دولا را
الجنيه السعودى	٧.٩٨٨٠٥	٠.٩١٦٦٦	٧.٣٢٢٣٢٦	لم يمين حتى ١ اكتوبر ١٩٥٢
الفضة				
الريال	١١.٦٦٣٨	٠.٩١٦٤	١٠.٦٩١٨	٠.٢٧٥
نصف الريال	٥.٨٣١٩	٠.٩١٦٤	٥.٢٣٥٩	
ربع الريال	٢.٩١٦	٠.٩١٦٤	٢.٦٧٣	
القطع الصغيرة				
القرش	٦.٥	٧٥% نحاس		(الريال يساوى
نصف القرش	٥.٥	٢٥% نكل		(٢٢ قرشا
ربع القرش	٤.٢٥			(

+ هذا يساوى ١١٣.٠٠١٦ قمحة (جرين) أو ٢٣.٥٤٢.٠ اونس

++ هذا يساوى ١٦٥ قمحة (جرين) أو ٣٤٣.٧٥ اونس

ان محتويات الجنيه الانكليزي من الذهب تساوي ٨ر٢٣٩ دولارا اي بمعدل ٣٥ دولارا للوقية الواحد (الاونس)، غير ان ربحه لا يستقر على حال ولو انه يبلغ عادة حوالي ٤٥% في الاسواق الحرة والسوداء المصح بها في عدد من البلدان لأنه معروف ويمكن التعامل به في الاسواق في الحال ، ولأن كميته محدودة ويعتبر النقد المثالي للخرن من قبل من اعتادوا منذ قرون عديدة على خزن المعادن الثمينة كأفضل طريقة للاحتفاظ بقيمة الأموال المدخرة . ويكثر التداول بالجنيه الذهبي في منطقة جدة - مكة وفي بعض المناطق الداخلية بجانب الريال غير ان أسعار الصرف تختلف بين حين وآخر . اما في منطقة الساحل الشرقي فان الجنيه الذهبي غير شائع الاستعمال .

ان الريال هو النقد الدارج والمتداول بين الجمهور في جميع انحاء البلاد ويستعمل عادة في المشتريات القطاعية ، ويشبه من حيث الوزن والنقاوة الروبية الهندية السابقة . اما الجنيه الذهبي فيستعمل في العمليات الكبيرة في المنطقة الغربية وبعض المناطق الداخلية .

كمية النقد المتداولة

من المستحيل اعطاء تقدير صحيح لعدد الجنيهات الانكليزية الذهبية الموجودة في البلاد ، اما بخصوص الريالات فان مجموع ما ضرب من النقود الفضية منذ سنة ١٩٣٥ قد بلغ ٢٧٠ مليون وخمسمائة ألف الف ريال عربي ، بما في ذلك الطلب الخاص بصنع ٥٢ مليون ريال عربي الصادر في ١ يونيو ويوليو ١٩٥٢ ، ويجب ان يتم تسليم الجزء الأكبر من هذه الكمية قبل نهاية سنة ١٩٥٢ . ويمكن الاطلاع على تفاصيل سني الاصدار بالرجوع الى الملحق رقم ١ . انه لمن المستحيل معرفة العدد الباقي منها في البلاد ، ولكنه بالتأكيد اذني بكثير من مجموع الكمية المستلمة ، فتمهريبها الى الخارج كان يجري على نطاق واسع في بعض الأحيان وخصوصاً في سنتي ١٩٤٩ و ١٩٥٠ عندما كان المبلغ الذي يهرب شهرياً يتراوح بين مليونين وخمسة ملايين ريال عربي .

أسعار الصرافة والأثمان

تراوحت أسعار صرف الريال والجنيه الذهبي في المملكة العربية السعودية منذ سنة ١٩٤٥ بين ٨٩ ريالاً عربياً و ٤٠٣/٤ ريالاً عربياً للجنيه الواحد^١ ، كما يتضح من الملحق رقم ٢ والرسم البياني رقم ١ . وتراوح المعدل في السنوات الثلاث الأخيرة بين ٦٢ ١/٤ ريالاً عربياً و ٤٠٣/٤ ريالاً عربياً ، اما في سبتمبر ١٩٥٢ فقد بلغ السعر ٤٢ ١/٢ ريالاً عربياً تقريباً .

وقد حصلت أيضاً تقلبات واسعة في أسعار العملات الأجنبية ، فقيمة الجنيه الذهبي الانكليزي لا تخضع لرقابة المملكة السعودية أو أي بلد آخر يكثر استعماله فيه ، وقد تراوحت قيمته في جده منذ سنة ١٩٤٥ بين عشرين دولاراً و ١٠٢٥ دولاراً ، وتراوحت الأسعار في السنوات الثلاث الأخيرة بين ١٢٩٠ دولاراً و ١٠٢٥ دولاراً ، وفي سبتمبر بلغ معدل السعر ١٢١٠ دولاراً تقريباً . وقد بقي الطلب على الجنيه الذهبي مستمراً بربح يزيد على ٣٥ دولاراً لكل أوقية (اونس) نقيه من الذهب . وتراوح ما يقابل الأوقية (الاونس) النقية الواحد في جده بين ٨٤٩٥ دولاراً (أي بربح ١٤٣%) في سنة ١٩٤٦ و ٤٣٥٤ دولاراً (أي بربح ٢٤%) في سنة ١٩٥٠ ، وبلغ المقابل في سبتمبر ١٩٥٢ معدلاً يقرب من ٥١ دولاراً (أي بربح ٤٦%) .

* ان الاسعار بالريالات تدرج عادة بالريالات والقروش كان يقال مثلاً ٣١٦ ريالاً عربياً للدولار الواحد .

لقد تأثرت قيمة الريال بالعملة الأجنبية بقيمة الفضة في الأسواق العالمية ، غير انها كانت في بعض الاحيان تختلف اختلافا كبيرا عن القيم السائدة في الاسواق الخارجية ، ويعود هذا الاختلاف الى نقص الريالات أو كثرتها في الأسواق ، وإلى القيود المفروضة على تصديرها والقيود المتعلقة بالفضة في الأسواق الأخرى ، فقد كان تهريب الريالات الى الخارج يجرى على نطاق واسع عندما تكون قيمة الفضة في الخارج اعلى بكثير من قيمة الريال الصرافية داخل البلاد ، ويقل التهريب عندما يصبح الربح المتوقع اقل من ١٥ % وذلك بسبب وزن الفضة الثقيل بالنسبة لقيمتها واططار المصادرة المترتبة على تهريبها .

ان الملحق رقم ٣ والرسم البياني رقم ٢ يقارنان قيمة الريال الصرافية بقيمة نفس الوزن من الفضة في نيويورك وبومباي ، ففي بعض الاوقات بلغ الربح في بومباي ٧٠ % بسبب ندرة الفضة الناشئة عن القيود المفروضة على استيرادها من قبل الحكومة الهندية ، وبلغ الربح في نيويورك ٢٥ % ، ومن الطبيعي ان ينشط التهريب عندما يبلغ الربح هذا المقدار ، وقد بلغت قيمة الريال الصرافية في وقت كتابة هذا التقرير نفس القيمة تقريبا لمثل وزنه من الفضة في نيويورك وبومباي ، وهذا الوضع بالطبع نادر الوقوع .

لقد كانت قيمة الريال الصرافية بالعملة الأجنبية أكثر استقرارا من قيمة الجنيه الذهبي ، ومع ذلك فقد تراوحت بين ٢٠ ر. من الدولار و ٣٠ ر. من الدولار منذ سنة ١٩٤٥ ، وفي النصف الأول من سنة ١٩٥٢ استقر الريال على حوالي ٢٧ ر. من الدولار أو ما يعادل ٢٧٠ ريالا للدولار الواحد تقريبا ، اما في صيف سنة ١٩٥٢ فقد بلغ المعدل حوالي ٢٨٥ ر. من الدولار ، وهذا الارتفاع موسمي الى حد ما ويعزى الى ازدياد الطلب على العملة بمناسبة موسم الحج وفي سنة ١٩٥٢ بلغت هذه الزيادة أوجها في شهر آب . لا يمكن الحصول الا على بيانات جزئية عن الأسعار الداخلية في البلاد العربية السعودية ، وهذه البيانات لا تكفي للتوصل الى استنتاجات ثابتة حول الحافة القائمة بين تقلبات أسعار العملات الأجنبية وذبذبة الأسعار وتكاليف المعيشة ، سوى ان أسعار الصرافة المنخفضة تزيد في تكاليف تسير الأعمال وتقع هذه الزيادة في الغالب على كاهل المستهلك .

محاسن هذا النظام وعمومه

يتمتع نظام النقد ببعض نواحي القوة الهامة ، فقد تمكنت العملة العربية السعودية التي تتألف بكليتها من المعدن من المحافظة على قيمتها كأحسن ما كان متوقعا في عالم هبطت فيه قيمة العملات السهلة ، ويتمتع الريال والجنيه الانكليزي الذهبي بثقة الجمهور التامة ، وهذه العملة متينة وقد اثبتت بانها تستطيع بثبات ولو بخير يسر - سد حاجات البلاد .

غير ان للنظام ، بالرغم عن ذلك ، بعض الميوب الخطيرة التي يجرى ادراكها بازدیاد ، واكثر هذه الميوب أهمية عدم الاستقرار اذ لا يوجد سعر داخلي ثابت بين الريال والجنيه بل كانت الأسعار ولا تزال تتغير تغيرا واسعا ، ولا يمكن وضع سعر معين والمحافظة عليه باستمرار . اما في الخارج فلا توجد لأي من النقدين قيمة محددة بالنسبة للعملات الأجنبية .

ان التغيرات في الأسعار يمكن ان تسبب ارتباكا في مالية الحكومة ، فهي تتقاضى حوالي أربعة أخماس دخلها بالعملات الأجنبية ، وبصورة رئيسية بالدولارات ، ولا بد من تحويل القسم الأكبر من هذه العملات الى رiales وجنيهاات ذهبية لانفاقها محليا ، ولا تستطيع الحكومة ان تضع ميزانيتها باطمئنان اذا كانت لا تستطيع ان تعرف من شهر الى آخر ما ستكون عليه ايراداتها بالنسبة للعملة المحلية ، فقد تفاوت عدد الريالات المتحققة عن كل دولار واحد بين حوالي ٣٢ و ٢٥ منذ سنة ١٩٤٥ ، وتراوح ثمن الجنيه بين ١٠٢٥ دولارا و ٢٠٠٠ دولارا ، وهذا يعني انه منذ سنة ١٩٤٥ تراوحت حصيلة مليون دولار بين ٣٢٠٠٠ و ٢٠٠٠٠٠ رiales عربي وبين ٥٠٠٠٠ وما يقرب من ١٠٠٠٠٠ جنيه ذهبي ، وحتى في سنة ١٩٥١ تراوحت هذه الحصيلة بين ٣٥٥٠٠٠ و ٤٠٠٠٠٠ رiales عربي وبين ٧٧٠٠٠ و ٨٥٠٠٠ جنيه ذهبي .

وتقلبات الأسعار ايضا تلحق اضرارا بالتجارة الخارجية ، ففي كثير من البلدان يقوم المستوردون والمصدرون عادة بالاتفاق مع المصارف على اسعار العملات الأجنبية مقدما لكي يعرفوا مقدار التكاليف أو قيمة الحصيلة بالنسبة للعملة المحلية ، غير ان مثل هذه العمليات الصرافية المتفق عليها مقدما لا وجود لها هنا ومن بين الأسباب الداعية لذلك التفسير الشرعية الخاصة بالتصرفات التي يقصد بها التحوط ضد الطوارئ المستقبلية ، وهكذا نجد بان عدم استقرار اسعار الصرافة يلحق بالتجارة الخارجية عنصر الشك والمخاطرة الذي قلما يستطيع تجنبه ، وللتعويض عن ذلك يجب على التجار ان يسمحوا لأنفسهم بنسب أعلى من الأرباح ، وبضيق التجار هذه التكاليف الإضافية على كاهل الشعب والحكومة (باعتبارهم المشترين للبضائع المستوردة) عن طريق رفع الأسعار . وهذا العبء الإضافي على التجارة يؤدي الى الحد من الاستيراد والى نقص في دخل الحكومة من الجمارك ، ومن شأنه في النهاية ان يؤدي الى خفض مستوى المعيشة لدى الشعب بوجه عام بسبب النقص الحاصل في البضائع المستوردة .

وقد يتضرر الجمهور ايضا من التقلبات في قيمة النقود التي يملكها ان لا سبيل لديه لمعرفة ما ستكون عليه قيمة احد النقدين بالنسبة للنقد الآخر في المستقبل ، فاذا كان يملك احد النقدين واحتاج الى النقد الآخر فلا بد له من التعرض لخطر الخسارة .

وعلاوة على ذلك ، فان مبادلة النقدين الذهبي والفضي لا تجرى على اساس سعر تعادل ثابت ، وعلى الجمهور ان يدفع اسعارا للصرافة مشتملة على ربح للصراف أو البنك . ويمكن في ظل نظام صالح اجرا * مبادلة جميع انواع النقود بسعر تعادل معين دون ان يتحمل حاملها أية تكاليف . ان العنصر الوحيد الثابت بموجب النظام الحالي هو النسبة القائمة بين القرش والريال وهي ٢٢ الى ١ ، غير ان هذه النسبة نسبة شاذة لانه ليس من السهل اجرا * حساب على اساسها ، وحتى هذه النسبة كانت تتغير في الاوقات التي تشح فيها النقود والضرورة تقضي بان تكون للقرش علاقة عشرية ثابتة بالنظام .

واخيرا اقول بان النظام الحالي مربك وغير عملي ، فالريال هو النقد الشعبي الرئيسي لعدم وجود قطع نقدية من فئات كبيرة ، والريال قطعة نقدية ثقيلة بالنسبة لقيمتها ، ففي كل عملية كبيرة يتعرض الشخص

لمشاكل حمل اوزان كبيرة من المعدن وعد اعداد كبيرة من النقود ، وهذا امر مزعج ومضيق للوقت ويكلف بعض النفقات .

ومن الواضح ان البلاد العربية السعودية ستستفيد اذا تمكنت من ادخال نظام نقدي منقح يستند على قاعدة نقدية مستقرة قائمة على مجموعة من النقود الملائمة ذات قيم عشرية معينة وقابلة للمبادلة بحرية حسب رغبة حاملها .

المميزات الخاصة التي تؤثر على الخطط الموضوعة لتعديل نظام النقد

ان للوضع النقدي في البلاد العربية السعودية عدة مميزات هامة يجب اخذها بعين الاعتبار لما لها من تأثير هام على ماهية أية خطة لتعديل نظام النقد .

أ . تستعمل البلاد العربية السعودية منذ اقدم المصور عملة صلبة ذات " وزن كامل " فقد كان الجمهور يعتمد على المحتويات المعدنية " الحقيقية " للنقود وليس على التدابير الحكومية التي تعطى قيمتها ، وهكذا يميل الى عدم الثقة بالعملة الورقية .

ب . والميزة الثانية التي تتصل اتصالا وثيقا بالميزة السابقة هي اتساع نطاق الادخار . ان بعض كبار المشتغلين باعمال النقد يتحاطون ببعض العمليات المصرفية ، غير انه لم تؤسس رسميا أية مصارف محلية ، والتسهيلات المصرفية الحديثة التي تقدمها المصارف الأجنبية لا وجود لها الا في جدة وفي منطقة الظهران - الدمام ، والودائع الموجودة في هذه المصارف بالعملة المحلية قليلة نسبيا على الرغم من ان نظام الودائع اخذ ينمو تدريجيا وقد اصبحت الودائع بالعملة الأجنبية كبيرة للغاية ، ويحتفظ القسم الأكبر من البيوتات التجارية وافراد الجمهور باموالهم بصورة رئيسية في شكل مخزونات من الذهب والفضة ، ويحتفظ عامة الشعب في مختلف انحاء البلاد بكميات صغيرة أو كبيرة من النقود الذهبية و / أو الفضية - كل حسب امكانيته - كأموال احتياطية للطوارئ . ودفع النفقات .

ج . ان معاملات الدين غير موجودة بكثرة ، والنقود الطويلة الأجل المستندة على المال - خلاف عقود الاجارة المتعلقة بالاملاك العقارية التي يندر ان تكون لأكثر من سنتين - قليلة نسبيا ، اما التأمين الشخصي والسندات والرهونات فيكاد تكون معدومة ، والحكومة لا تملك ديناً اهلياً . ولهذه الأسباب تعتبر هذه البلاد أقل من معظم بلاد العالم تعرضا للتغيرات النقدية التي تؤثر في كيانها التعاقدى ، غير ان للتقلبات في أسعار العملات الأجنبية تأثيرا كبيرا عليها بسبب (١) اعتماد الحكومة الكبير على دخلها الذي تحصل عليه بالعملات الأجنبية ، و (٢) اعتماد البلاد الكبير على الاستيراد .

د . ان اقتصاديات البلاد تختلف باختلاف المناطق مع وجود فوارق كبيرة بين منطقة وأخرى ، فالمنطقة الساحلية الغربية تستعمل الذهب للعمليات الكبيرة والريالات للعمليات التجارية القطاعية العادية ودفع الأجور ، اما المنطقة الساحلية الشرقية فيكاد لا تستعمل الذهب - ولعل هذه المنطقة بالفضة يحكم رغبتها في الاتجاه شرقا نحو الهند ، واستعمال النقد بين الذهبي والفضي كليهما شائع في

أكثر من المناطق الداخلية • ان بعض اجزا • البلاد تسير بخطى واسعة نحو المدنية ، وفي اجزا • أخرى لا تزال القبائل تعيش كما كانت منذ عدة قرون • وفي المنطقة الساحلية الغربية - ومركزها الاقتصادى في جدة ومكة - تقوم السوق المالية في جدة بتمويل التجارة والحج وتجرى فيها أيضا بعض المضاربات في الذهب والفضة والعملات الأجنبية • وتتميز المنطقة الساحلية الشرقية بوجود صناعة الزيت فيها وقد اخذت هذه الصناعة تنمو وتتسع بسرعة • اما منطقة الرياض فتعتبر مركزا للنشاط والأعمال التي يعتمد وجودها على كونها العاصمة السياسية للدولة والمقر الرئيسي لصاحب الجلالة الملك • وتتصل مدينة الرياض بالمنطقة الساحلية الشرقية بسكة حديدية جرى افتتاحها في أواخر سنة ١٩٥١ ، وترسم الخطط الآن لمد هذه السكة الى جدة ، وسوف تساعد السكة الحديدية على تطور كثير من المناطق التي تمر بها ، وتقوم في الوقت الحاضر بربط منطقة الرياض اقتصاديا بالمنطقة الساحلية الشرقية •

هـ • ان العملات الأجنبية تعتبر مشكلة رئيسية ، فالحكومة تحصل على ما يقرب من أربعة اخماس دخلها بالعملات الأجنبية التي ترد جميعها تقريبا من صادرات شركة الزيت العربية الأمريكية (ارامكو) من الزيت ويأتي بعضها أيضا من شركات الامتياز الأجنبية الأخرى خلاف الارامكو ، ويعتقد ان الدخل من الزيت ، - وبالتالي مجموع دخل الدولة - قد زاد في السنوات الثلاث الأخيرة بسرعة لم يسبق لها مثيل في دخل أية دولة أخرى في التاريخ باستثناء الكويت ، والحاجة لتحويل مبالغ كبيرة من العملات الأجنبية الى عملة محلية تثير مشكلة صعبة عند وضع الميزانية طالما ان الجنيه الذهبي والريال العربي لا يملكان قيمة معينة بالنسبة للعملات الأجنبية •

وتختلف البلاد العربية السعودية عن غيرها في وجود الدولارات بكثرة لديها بسبب دخلها الكبير من الزيت ، ويتوافر عدد كبير من الدولارات في المنطقة أيضا بسبب مقبوضات الكويت من الدولارات ، والجزء من هذه العملة الذي لا يستعمل لاستيراد البضائع يمكن تحويله الى ذهب وفضة • ان الزيادة المطردة والمستمرة في مقبوضات هذه المناطق المتأخرة نسبيا من العملات الأجنبية يمكن في وقت من الأوقات ان تثير اشكالا حول كيفة استعمالها •

و • تملك البلاد العربية السعودية إيرادات مذهلة ناشئة عن ثروتها من الزيت ، وبما ان هذه الإيرادات كبيرة بهذا المقدار وتكاد تكون جميعها بالعملات الأجنبية ، وبصورة رئيسية بالدولارات ، فان بإمكان هذه البلاد ان تضع اصلح وضمن نظام نقدي ، فايرادات البلاد كافية لإنشاء الأموال الاحتياطية اللازمة لضمان مثل هذا النظام •

ز • تعتمد البلاد العربية السعودية اعتمادا كبيرا على الزيت وذلك فيما يتعلق بإيراداتها ونشاطها الاقتصادي ، ففي السنوات الثلاث الأخيرة التي نما انتاج الزيت خلالها نموا غريبا ازداد الرخاء تبعاً لذلك ، غير ان صناعة الزيت مرت في الماضي بآوار زادت فيها الانتاج وحل الكساد ويقتضي على سبيل الحذر والاحتياط الاستعداد لاحتمال تكرر هذه الأضرار في المستقبل • ان البلاد العربية السعودية معرضة كثيرا لأي كساد قد يوتر على بيع زيتها ولذلك يصح من الحكمة اتخاذ التدابير لمثل هذه

٢٠ اختيار قاعدة خاصة للنقد

ان الاحتمالات الرئيسية التي يمكن ان تكون محل اعتبار المملكة العربية السعودية هي . —

- (١٠) أى شكل من اشكال نظام المعدنين ، (ب) الاحتفاظ بنظام النقدين الحالي ومحاولة جعله قابلا للعمل بموجبه ، (ج) جعل عملتها مستندة على الريال الفضي الحالي ، (د) اتخاذ الجنيه الذهبي الانكليزي كقاعدة (هـ) الانضمام الى منطقة الأسترليني ، (و) السير على قاعدة الذهب المستندة على سعر ٣٥ دولارا للأوقية (الأونس) الواحد ، (ز) ادخال النقد الذهبي الجديد مع الاحتفاظ له بعلاقة معينة مع الدولار والعملات الأجنبية الأخرى .

نظام المعدنين

لا توجد طريقة يمكن الاعتماد عليها لربط العملتين الفضية والذهبية ذات " الوزن الكامل " مع بعضهما باسعار ثابتة . فقد تراوحت النسبة القائمة بين الأونس الواحد من كل من الذهب والفضة في الاسواق الحرة منذ نهاية الحرب بين ٤٥ — ١ و ١٠٠ — ١ ، ولا توجد اسباب معقولة تحملنا على الاعتقاد بان عدم الاستقرار في النسبة بين الذهب والفضة الذي ظل قائما فيما مضى سينتهي فجأة الآن .

ان اقتراح نظام المعدنين الذي جرى بحثه بصورة واسعة جدا في البلاد العربية السعودية يقضي بفرض سعر ثابت دائم وهو ٤٠ — ١ بين الجنيه السعودي الذهبي الجديد والريال العربي ، ويعتبر هذا الاقتراح بصورة رئيسية مشروعا لنظام المعدنين ليجرى تطبيقه على أساس قومي ، ويمكن العمل بمثل هذا النظام لفترة محدودة من الزمن اذا اعتبر انتقاليا . غير ان النسبة القائمة بين النقدين في السوق سوف تتغير بمرور الزمن مما يجعل التمسك بأي سعر معين غير ممكن بالمرّة ومؤديا الى استنزاف الاحتياطي الموجود من احد النقدين أو الآخر ، ومن الواضح ان بلدا صغيرا بمفرده لا يستطيع تطبيق نظام النقدين .

الوسائل المؤدية الى جعل نظام النقدين الحالي قابلا للتطبيق

ان الصعوبة الأولى التي تحول دون التمسك بنظام النقدين الحالي ومحاولة جعله أكثر قابلية للعمل بموجبه هي ان البلاد العربية السعودية لا تستطيع ان تضبط قيمة الجنيه الذهبي الانكليزي بصورة فعالة ولا تستطيع البلاد العربية السعودية بالمثل ان تتأكد من ضبط الريال الفضي ذي " الوزن الكامل " .

ان الجنيه الذهبي الانكليزي نقد اجنبي وليس نقدا عربيا سعوديا قوميا ، وقد توقف سك هذه الجنيهات الآن ولا يحتمل ان يجرى سكها ثانية بصورة منظمة ويجرى استهلاك الكمية المحدودة من هذه

الجنبيات بصورة تدريجية في الأذخار ، ومن الممكن ان تعود الى الظهور تدريجيا في احوال مختلفة تتسم بزيادة الاستقرار في العالم . لم يكن من السهل في بعض الاحيان الحصول على جنبيات ذهبية اضافية للاستعمال المحلي ، ومن الصعب على بلد بمفرده كالبلاد العربية السعودية ان يؤثر على قيمتها لان الطلب عليها واسع في مختلف انحاء العالم ، وتتذبذب قيمتها في الأسواق العالمية بصورة اوسع مما تنذبذب قيمة السبائك الذهبية ، والحدث الأخير الذي كان له ابلغ الأثر على الجنيه الذهبي الانكليزي هو القرار الذي اصدرته المحاكم السويسرية في شهر اغسطس ١٩٥٢ وفحواه ان صنع صور طبق الأصل وكاملة الوزن من النقود الذهبية التي لم تعد تؤلف عملة البلاد التي اصدرتها في الأصل لا يعتبر تزويرا .

لقد تراوحت أسعار الجنيه الذهبي الانكليزي بالريالات في جده منذ سنة ١٩٤٥ بين حوالي ٨٩ و ٤٠ ريالاً عربياً ، وبلغ معدل السعر في سبتمبر ١٩٥٢ حوالي ٤٢ ١/٢ ريالاً عربياً ، وتعزى هذه التغيرات الى التقلبات في أسعار كلا النقدين غير ان الجنيه كان أقل استقراراً من الريال بالنسبة للعملة الأجنبية ، فقد تراوح سعره في جده منذ سنة ١٩٤٥ بين ٢٠ دولاراً و ١٠٢٥ دولاراً ، وكان سعره في سبتمبر ١٩٥٢ أكثر قليلاً من ١٢ دولاراً . اما الريال فقد تفاوت سعره بالنسبة للدولارين حوالي ٣٠ ر. من الدولار و ٢٠ ر. من الدولار ، أي اما بموجب قيمته الصرافية في جده أو بموجب قيمته محتوياته من الفضة بسوق الفضة في نيويورك .

ومع ان البلاد العربية السعودية تستطيع الى حد ما ان تسيطر على قيمة الريال لأجل قصره ، فان كون قيمة الريال لأجل طويل معرضة للتغيرات المؤثرة على الفضة وكون قيمة الجنيه الذهبي لا تخضع لرقابة البلاد يجعلان اعتماد البلاد العربية السعودية على تحسين النظام الحالي مجانباً للصواب .

قاعدة الفضة

ان تطبيق قاعدة فضية يعتبر أسهل اجرا . يمكن الأخذ به بسبب شيوع الريال شيوفاً عظيماً ، غير ان هذا لن يكون حلاً حقيقياً ، ولا يوجد بلد يسير على قاعدة الفضة في الوقت الحاضر سوى المملكة العربية السعودية التي تسير على اساسها جزئياً . ففي الخمسين سنة الماضية تخلت أغلب اقطار أوروبا وآسيا عن الفضة كقاعدة فحسبيل وكنقد معدني ايضاً . ولا توجد سياسات قومية أو دولية حالية أو مرتقبة تميل الى وضع أي ثقة باستقرار الفضة في المستقبل مما قد يبرر اقدام أي من الدول على اختيارها كقاعدة نقدية . ومع ان اثمان الفضة كانت ثابتة بصورة معتدلة لعدة سنوات ، فانها كانت كثيرة التقلب في الماضي . ان التغيرات في الثمن (وقد بلغت ٨٣ ١/٤ ر. من الدولار لكل أونصة نقدية من الفضة في نيويورك في سبتمبر ١٩٥٢) يمكن ان تبقى على نطاق ضيق لفترة مؤقتة ، غير انها قد تصبح على نطاق واسع خلال مدة أطول ، ان قد تتراوح فعلاً بين ٦٥ ر. من الدولار و ٢٩ ر. دولاراً . ولا بد من التفكير في مدى هذه التغيرات عند وضع اية خطة لاستعمال الفضة كنقد .

ان اختيار قاعدة فضية من شأنه ان يبقى الحكومة العربية السعودية معرضة لتقلبات رئيسية لا تستطيع بسببها من معرفة حصيلة مقبوضاتها من العملات الأجنبية التي توازي أربعة أخماس دخلها الكامل بالنسبة للعملة

الجنيه الذهبي الانكليزي

ان الجنيه الذهبي الانكليزي شائع ومنتشر انتشارا واسعا في ظل نظام النقدين الحالي ، غير ان هنالك اسبابا جوهرية تحول دون استعماله كقاعدة دائمة كنت قد ذكرتھا بعاليه لدى البحث في امكانية استيقا * نظام النقدين الحالي وتحسينه .

الاسترليني

ان السير على قاعدة الاسترليني يعتبر ماثما من بعض الوجوه بسبب كون البلاد العربية السعودية محاطة ببلدان تابعة للمنطقة الاسترلينية ولانها تتجر بكثرة مع المنطقة المذكورة ، الا ان النظام القائم الآن في البلاد العربية السعودية خال بالفعل من أية قيود على التجارة والنقد الاجنبي ، وربما كانت عملة البلاد اصعب عملة في العالم ، ولا تشعر المملكة بنقص في العملات الاجنبية بسبب ثروتها من الزيت ، فهي تقبض مبالغ كبيرة من الدولارات ولا حاجة بها للتقيد بأى التزام لوضعها في " حساب حصيله الدولارات " في البلاد التابعة للمنطقة الاسترلينية . وقد تعرضت العملة الاسترلينية منذ الحرب الى سلسلة مستمرة من المصاعب لا تزال قائمة ، ولذلك يتضح ان عدم انضمام البلاد العربية السعودية الى المنطقة الاسترلينية ادعى لتحقيق مسحتها من الانضمام اليها .

الذهب بسعر ٣٥ دولارا للاوقية (الاونس) الواحد

ان الأخذ بقاعدة الذهب المستندة على سعر ٣٥ دولارا للاونس الواحد يعني في الواقع ربط العملة العربية السعودية بالدولار ، غير انه لو قامت البلاد العربية السعودية باصدار نقود ذهبية ذات وزن كامل بسعر ٣٥ دولارا لأصبح لزاما عليها ان تتخلى عن استعمالها التقليدي للذهب كعملة . واية محاولة من هذا القبيل لن تؤدي الا الى تغذية اسواق الربح المختلفة للذهب طالما ان هذه النقود لن تبقى في التداول . ولذلك يترتب على البلاد العربية السعودية ان تعتمد كليا على عملة موثوقة . ومثل هذه العملة ستشتمل على نقود فضية ونقود صغيرة ، وتتطلب قيام نظام يصعب تطبيقه دون الاعتماد الى حد كبير على عملة ورقية ويظهر ان استعمال العملة الورقية غير مستحسن في الظروف الحاضرة . وهكذا نرى ان الأخذ بقاعدة تتطلب تداول الذهب بسعر ٣٥ دولارا للاونس الواحد يعتبر غير عملي .

الجنيه الذهبي العربي السعودي

ويبقى امامنا الخيار الخاص بادخال الجنيه الذهبي السعودي الجديد - الذي سك في اوائل سنة ١٩٥١ ولم يكن قد صدر بعد في اول اكتوبر ١٩٥٢ - كخطوة في سبيل تحسين نظام النقد والمحافظة على

قيمتها بالنسبة للعملة الأجنبية عن طريق عمليات مؤسسة النقد العربي السعودي الرامية الى منع حدوث تقلبات لا لزوم لها . وهذا في نظري افضل اجرا * يمكن اختياره بالنظر للاحوال الفعلية السائدة في البلاد العربية السعودية ووجهة نظر الحكومة والجمهور .

ان اسبابا عديدة هامة تدعو الى ايجاد نقد ذهبي في البلاد العربية السعودية ، فالنقود الذهبية معروفة وكانت موضع الثقة في البلاد منذ عدة قرون ، وهي الآن تؤلف العنصر الرئيسي في النظام القائم ، وهي شائعة لانها تتلاءم مع الاحوال السائدة الآن والتي ينتظر ان تبقى قائمة لمدة من الزمن في المستقبل . وهي تتمتع بقيمة عالية في حجم صغير ، ويمكن نقلها بسهولة ، ولها قابلية كبيرة على الاحتمال وتصلح للدخار بنا * على قيمتها في بلد يقل فيه المؤسسات التي تتعاطى اعمال الائتمان . والذهب اكثر قابلية للاحتفاظ بقيمته من اية وحدة نقدية قومية اخرى في عالم يكتنفه التضخم وتواجهه التهديدات بالحرب ويسود فيه الاعتقاد بان من واجب الحكومات ان تتخذ التدابير المالية لتحقيق الرخا * والعمل لجميع السكان . والعملية الذهبية اقل تعرضا من اية عملة اخرى للضغط الناتج عن تصرفات حكومية غير حكيمة ، فان اقوى الدول واكثرها خبرة تشكو من سوء استعمال اموال الائتمان .

وفي الظروف الحالية التي تسود العالم باجمعه لا مجال للتأكد من تحقيق الاستقرار التام بموجب اية قاعدة من القواعد ، غير ان قاعدة الذهب المستندة على سعر ٣٥ دولارا للاونس الواحدة تهى * حدا ثابتا ، اذ لا يمكن لاحد ان يتصور اماكن حدوث هبوط الى ما دون هذا الرقم الذي يقل بمقدار ٧% - ٨% عن السعر الحر للذهب في سبتمبر ١٩٥٢ (٣٧٥٠ دولارا - ٣٨ دولارا للاونس الواحدة) . ويظهر ان حصول هبوط مستمر في الربح الى اقل من ٤% مثلا (٣٦٤٠ دولارا) بعيد الاحتمال بالمرة . وهكذا نجد ان اسبابا عملية تجعل هذا الحد اعلى من ٣٥ دولارا .

ونرى ، من ناحية اخرى ، ان مبيعات البلاد المنتجة من الذهب في الاسواق الحرة ستقضي على الارتداد الكبير في الثمن الحر للذهب . وقد فسر اعلان مؤسسة النقد الدولية الصادرة في سبتمبر ١٩٥١ بأنه يعني اعطاء هذه البلاد مجالا اوسع في المبيعات ، وقد ادى هذا الامر الى استقرار اكثر في السوق الحرة للذهب وعلى مستوى اقل . ولا يحتمل في الحقيقة حدوث ارتفاع كبير الا في حالة (أ) نشوب او توقع عام لنشوب حرب عالمية ، أو (ب) اعادة تقيم الذهب اما بصورة عامة أو من قبل الولايات المتحدة .

ويجب ، في اعتقادي ، ان لا تمتنع البلاد العربية السعودية عن اصدار النقد الذهبي الجديد بسبب هذين الاحتمالين ، اذ انه في حالة حدوثهما يصبح العالم برمته معرضا لتعديلات نقدية وحينئذ يصبح من مصلحة العمل على تخفيف آثارها ، وهذا الوضع يختلف عن الوضع بالنسبة للفضة حيث ان التأثيرات النقدية الناجمة عن تقلبات رئيسية في اسعار الفضة لا يحتمل في الحقيقة ان تكون ذات اهمية خطيرة في بلد يستطيع اتخاذ التدابير الفعالة بشأنها .

بقي علينا ان نبحث في المستوى الذي يجب اصدار الجنيه الجديد على اساسه بالنسبة للعملة الأجنبية ومن الواضح ان اختيار هذا المستوى يجب ان يتم بعد الأخذ بعين الاعتبار المستوى الذي بموجبه يجري

انتقال الذهب وهو في شكل نقود أو قطع من يد إلى أخرى في مختلف الأسواق التي في وسع البلاد العربية السعودية الوصول إليها . ويجب أن تكون قيمة الأونس الواحدة من النقد الجديد أعلى ، بقدر ما مأمون ، من قيمتها كسبيكة في أسواق الذهب الحرة ، والا تعذر عليه الاستمرار في التداول . وأنني أؤكد بهذه المناسبة بأن قيام البلاد العربية السعودية بإصدار جنيها الذهب بقيمة تزيد على ٣٥ دولارا للأونس الواحدة لا يعتبر تثميناً جديداً للذهب ، لا بل اجراءً عملياً لأصدار النقد بمستوى لا يسمح بسحبه إلى الأسواق الخارجية ، ويصبح وضع النقد من هذه الناحية مشابهاً لوضع الجنيه الذهبي الانكليزي الذي يجري الآن التداول به في البلاد بربح يزيد ٤٥% على ٣٥ دولارا وسعر أعلى بنسبة الثلث من ثمن الذهب في مختلف الأسواق الحرة والسودا* والسودا* المصرح بها .

ان مشكلة القيمة التي يجب أن تعطى للجنيه الجديد والمسائل الأخرى المتعلقة بتعديل نظام النقد العربي السعودي سيأتي بحثها في الفصول القادمة .

ادخال الجنيه الذهبي العربي السعودي +

ان احد الأغراض الرئيسية التي دعت الحكومة العربية السعودية الى اتخاذ اجرائها البعيد النظر بانشاء * مؤسسة النقد العربي السعودي في ابريل ١٩٥٢ هو ايجاد اداة تتولى تحسين نظام النقد ، وينص المرسوم الملكي الصادر بتاريخ ٢٠ ابريل ١٩٥٢ على ان وظيفة المؤسسة الاولى هي * " دعم النقد الرسمي للدولة وتوطيد قيمته المالية وتحديد سعره بالنسبة لأسعار العملات الأجنبية "

وقد مهد افتتاح المؤسسة في الرابع من اكتوبر ١٩٥٢ الطريق لأصدار الجنيه الذهبي الجديد * + +

وهذا النقد مماثل بالفعل للجنيه الذهبي الانكليزي من حيث الوزن والنقاوة ، اذ انه يزن ٧.٩٨٨٠٥ غراما ودرجاته ٩١٦٦٦ ر. ويحتوي على ٧.٣٢٢٣٢٦ غراما من الذهب النقي (أي ما يساوي ٢٣٥٤ ر. من الاونس) .

ان اصدار النقد الجديد يثير عددا من المشاكل وهي ، تحديد قيمته بالنسبة للعملات الأجنبية ، وكيفية المحافظة على هذه القيمة ، ووضع العملة الحالية المتألفة من الجنيهات الانكليزية الذهبية والريالات .

القيمة التي يجب أن تعطى للجنيه الجديد

يجب على المؤسسة ان تعمل للحيلولة دون حدوث تقلبات لا لزوم لها في قيمة الجنيه الجديد بالنسبة للعملات الأجنبية ، وذلك في نطاق مدى تقريبي تقرره المؤسسة . وهكذا يحتب اصداره خطوة هامة في سبيل استقرار اسعار الصرافة وتجنب الخسائر التي تتحملها الحكومة والشعب من جراء * تقلب هذه الاسعار ، غير انه من المهم ان لا يكون المدى منخفضا كثيرا ولا مرتفعا كثيرا .

ان محتويات هذا النقد من الذهب تساوي قيمتها ٨ر٢٤ دولارا على أساس سعر ٣٥ دولارا للاونس الواحدة ، وبموجب الثمن السائد للسبائك الذهبية في الأسواق الحرة ، الذي تراوح مؤخرا بين ٣٧ دولارا و ٣٨ دولارا ، تساوي محتويات هذا النقد من الذهب ما بين ٨ر٧٠ دولارا و ٨ر٩٥ دولارا . ومن الواضح انه لا يمكن اصدار هذا النقد بقيمة في نطاق المدى الأخير لأن من شأن ذلك أن يؤدي الى سحبه جميعه الى اسواق السبائك الذهبية الحرة والسوداء * المصحح بها ، ولا يمكن تبرير اصدار هذا النقد الا على أساس انه لمجرد استتماله كنقد في البلاد العربية السعودية ، وبالإضافة الى ذلك يجب على الحكومة ان تمنع تصديره بصورة قاطعة .

ان الجنيه الذهبي الانكليزي بسعر ١٢ دولارا يستأثر بربح يزيد بحوالي ٤٥ % على قيمته كسبيكة ، وليس من الحكمة اصدار النقد الجديد بمثل هذه النسبة العالية من الربح حتى ولو انه سيصبح مقبولا بسرعة على أساس الرقم المذكور لأن من شأن ذلك أن يفرض على التزوير ، الأمر الذي لا يحتمل حدوثه اذا احتفظ النقد

+ ان قسما من هذا الفصل جرى ادماجه في تقرير رفع الى حضرة صاحب المعالي وزير المالية في ٤ اغسطس ١٩٥٢
++ في صيف سنة ١٩٥٢ سلمت الحكومة عددا من الجنيهات الجديدة في الرياض ، غير ان هذا لا يجوز ان يعتبر بدلا لاصدارها كنقد .

الجديد بقيمة تقل عن القيمة السائدة للجنيه الذهبي الانكليزي ، وقد تذبذبت قيمة الجنيه الذهبي الانكليزي في السنتين الماضيتين بين ١٣ دولارا و ١١.٥٠ دولارا . وقد شجع القرار الذي اصدرته المحكمة السويسرية في اغسطس ١٩٥٢ والمشار اليه بحالیه على صنع نسخ طبق الاصل من الجنيه الانكليزي ، لأنه يقضي بأن صنع نسخ طبق الاصل كاملة الوزن من هذه النقود لا يعتبر تزويرا ، وهذا القرار لا يسرى بالطبع على الجنيهات العربية السعودية ، فالشخص الذي يرغب في تقليد الجنيهات الذهبية يميل في الغالب الى الجنيه الانكليزي ليس بسبب تأثير هذا القرار فحسب بل ولأن الجنيه الأخير أكثر انتشارا في الأسواق ويتمتع بثمن أعلى ، هذا بالإضافة الى ان تصريف الجنيهات العربية السعودية المزورة سيكون أصعب منالا من تصريف الجنيهات الانكليزية المزورة .

ولذلك يعتبر من حسن السياسة ابقاء الجنيه العربي السعودي دون المستوى الحالي للجنيه الانكليزي ، على ان تكون قيمته قطعا أعلى من قيمته كسبيكة في الأسواق الخارجية التي ترتادها البلاد العربية السعودية ، وهذه المقاييس تعين مدى للاختيار يتراوح بين حوالي ٨.٩٠ دولارا و ١١.٥٠ دولارا . فلنلق الآن نظرة على التاريخ الحديث لأثمان الذهب . عندما شرع جنوب افريقيا في البيع في السوق الحرة للذهب في سنة ١٩٤٥ كان الثمن السائد في المراكز الأكثر أهمية يزيد على ٤٥ دولارا للاوقية الواحدة ، وفي سنة ١٩٤٩ ايضا حصلت مضاربات في شرا الذهب استعدادا للتخفيضات العامة المتوقعة في اسعار العملات والتي حدثت في سبتمبر من تلك السنة . وفي نهاية ١٩٤٩ هبط الثمن الى حوالي ٤١ دولارا وبحلول شهر يونيو ١٩٥٠ أي قبل نشوب الحرب الكورية تدنى الثمن الى حوالي ٣٧ دولارا . وقد حدث هذا الهبوط بتأثير عاملين وهما مبيعات جنوب افريقيا والمضاربة في البيع عقب التخفيضات العامة . وبعد ذلك ارتفع الثمن الى ٤٠ دولارا في الشهور الستة التالية ، غير أنه لم يتجاوز هذا الرقم كثيرا الا لمدة قصيرة في اوائل سنة ١٩٥١ عندما ارتفع الى حوالي ٤٤ دولارا نتيجة تدخل الصين الشيوعية في الحرب الكورية .

ان الاجراء الذي اتخذته مؤسسة النقد الدولية في سبتمبر ١٩٥١ بالسماح لاجرائها بمجال أوسع لقرار سياساتهم الخاصة فيما يتعلق ببيع الذهب المعدن حديثا كان له ابلغ الأثر على اسواق السبائك الذهبية ، فقد أدى اتساع نطاق البيوع الى تخفيض في الأثمان ، وكانت الأثمان أكثر استقرارا على هذا المستوى . وقد تلا صدور بيان مؤسسة النقد الدولية هبوط يزيد على ثلاثة دولارات ، أي من حوالي ٤١ دولارا الى ما يتراوح بين ٣٧ و ٣٨ دولارا في الشهور الأخيرة .

انني أوصي بأن تكون للجنيه الجديد قيمة في مدى تقريبي يتراوح بين ١٠.٦٠ دولارا و ١١.٠٠ دولارا أي ما يساوي ثمنا للذهب يتراوح بين حوالي ٤٥ دولارا و ٤٦.٧٥ دولارا للاونس الواحدة . وتميل البلاد المنتجة في سياسات البيوع التي تنتهجها الى ابقاء الثمن دون هذا المستوى الا — كما ذكرت آنفا — في حالة نشوب أو توقع نشوب حرب عامة على نطاق واسع أو قيام الولايات المتحدة باعادة ترميم الذهب بصورة عامة . ولا يحتمل في غير هذه من الطوارئ ان يصل ثمن الذهب في الأسواق الخارجية التي يمكن الوصول اليها الى ٤٥ دولارا . ولا يجوز كما أرى ان تحول هذه الطوارئ دون قيام البلاد العربية السعودية باصدار النقد الذهبي كخطوة في سبيل

تحسين النقد .

ويجب ايضا لدى تعيين مدى القيمة للجنيه الجديد ان يراعى السعر الذى سيجرى اصداره على اساسه بالنسبة للريال + وكذلك يقتضى مراعاة قيمة الريال بالنسبة للعملة الأجنبية ، كما سيأتي بيانه .

وسائل المحافظة على قيمة الجنيه الجديد

اذا قامت البلاد العربية السعودية باصدار الجنيه الجديد في المدى الذى اوصيت به اعلاه ، فان عليها ان تعمل بحزم على تثبيته في حدود ذلك المدى لتوفير الثقة ، وهكذا يترتب على مؤسسة النقد ان تسترد حين الطلب بكميات غير محدودة بالحد الأدنى من المدى المختار .
والاسترداد يدعو الى ايداع احتياطي كاف من الدولارات أو الذهب باسم المؤسسة في بنوك ذات منزلة عالية في الولايات المتحدة . ويجب على وجه الخصوص تخصيص هذا الاحتياطي لأغراض المحافظة على استقرار الجنيه الجديد حتى لا يتسنى استعماله لأى غرض آخر .

ولا يبدو ، كما ذكرت آنفا ، ان هناك احتمالا لهبوط ثمن الذهب الى اقل من ٣٥ دولارا للاونس الواحد وهو الثمن الذى بموجبه تشتري السلطات الأمريكية الذهب . وقياسا على ذلك فان الثمن الحر للذهب الذى تراوح بين ٣٧ و ٣٨ دولارا في سبتمبر ١٩٥٢ سيبقى بالتاكيد أعلى قليلا من ٣٥ دولارا وربما أعلى من ٣٦ دولارا . وبامكان مؤسسة النقد ان تقترض بسرعة في مقابل هذه النقود اذا دعت الحاجة الى ذلك على ان لا تتجاوز القيمة حوالي ٣٥ دولارا للاونس الواحدة ، ولذلك يعتبر الاحتياطي كافيا اذا كان يغطي الفرق الحاصل بين القيمة النقدية للنقود الصادرة وقيمتها بسعر ٣٥ دولارا .

وايضاحا لذلك اقول . - ان المبلغ الذى يدفع بالدولارات ثمنا لمليون قطعة من النقود الجديدة الصادر بواسطة مؤسسة النقد بسعر ١١ دولارا للقطعة الواحدة يبلغ مجموعة ١١ مليونا من الدولارات بموجب نصوص مشروع المرسوم الملكي . فلو فرضنا ان هذه الكمية بكاملها عرضت للاسترداد ، وهو أمر بعيد الاحتمال ، فان محتوياتها من الذهب ستساوى ٨٢٤ مليونا من الدولارات بسعر ٣٥ دولارا للاونس الواحدة ، أو ٨٧٠ دولارا لكل قطعة بسعر ٣٥ دولارا للاونس الواحدة ، وسيكون في حوزة المؤسسة كاحتياطي مخصص زيادة القيمة النقدية على التكاليف ، وهي ٢٧٦ مليونا من الدولارات ، بعد ان تحسم منها مصاريف السك والشحن التي لا تتجاوز ٢% على وجه التقريب .

ان الشرط الذى يقضى باصدار هذه النقود عن طريق مؤسسة النقد فقط وبدفع كامل قيمتها النقدية بالدولارات سيؤدى بصورة اوتوماتيكية الى انشاء احتياطي كاف ، غير انه من المهم التقيد بهذا الشرط بدقته وعدم اصدار نقود الا بعد رصد الاحتياطي المخصص المعين .

+ أعلن صاحب المعالي وزير المالية في الرابع من اكتوبر ١٩٥٢ بان هذا السعر هو ٤٠ - ١ .

وبما ان النقد الجديد سيحوز على قيمة نقدية اعلى من قيمته كسبيكة فان الاغراء على تصديره سيكون معدوما ، ومع ذلك يقتضي حظر تصديره ليصبح معلوما انه يجب الاحتفاظ به كنقد محلي ولتوفير الحماية له في حالة حدوث ارتفاع غير متوقع في الظروف الطارئة المشار اليها بحالیه .

وضع الجنيه الذهبي الانكليزي

ان هذا النقد المعروف شائع الاستعمال في البلاد العربية السعودية ، ويجب على الحكومة ان تتجنب أى اجراء قد يؤثر بصورة عكسية على قيمة الجنيه الانكليزي بعد اصدار الجنيه الذهبي الجديد ، ومع ذلك يتوقع ان يتمكن الجنيه الجديد على مر الزمن من الحلول محل الجنيه الانكليزي كنقد في داخل البلاد العربية السعودية ، ولو ان البعض دون ريب سيثابر على ادخار الجنيهات الانكليزية ، وسوف يكون النقد الجديد قابلا للتحويل الى ريات بسعر مناسب يجعل مؤسسة النقد في وضع يمكنها من المحافظة عليه مع مراعاة التغيرات الجوهرية في الاسعار العالمية للذهب أو الفضة ، وسوف تكون له ايضا قيمة مضمونة بالدولارات ويمكن تحويله بسرعة الى عملات اجنبية ، وهكذا يصبح بالتدريج نقدا جذابا .

ان من المرغوب فيه عدم تشجيع ابرام عقود جديدة بالجنيهات الانكليزية الذهبية التي يجرى استعمالها بصورة واسعة في عقود الاجارة وفي مختلف العمليات الكبيرة ، ومن ثم يمكن في وقت معين بعد طرح الجنيه العربي السعودي اصدار قانون يقضي باعتبار جميع العقود المبرمة بالجنيهات الذهبية الانكليزية غير قانونية الا بمقدار ضريبة مقدارها ١% من قيمة تلك العقود على ان ترتفع هذه الضريبة الى ٢% بعد ثلاثة اشهر .

وضع الريال

يجب ان تبذل مؤسسة النقد قصارى جهدها للاحتفاظ بسعر مستقر بين الجنيه الجديد والريال ، غير انها لا يجوز ان تكون ملزمة بالمحافظة على قيمة معينة للريال ، فالخبرة الطويلة تدل بان العمل على اقرار سعر معين ثابت بين النقد بين يعتبر بمثابة شكل من اشكال نظام النقد بين الذي لا بد وان ينهار عاجلا او آجلا . ان الريال نقد ثقيل وقيمه كنقد مرتبطة بقيمته كفضة ، ويزداد الاقبال على الريال بوجه خاص عندما تصبح قيمته كفضة في الاسواق الأجنبية اعلى من قيمته كنقد بنسبة تزيد على ١٠% - ١٥% . وبما ان تصدير الريال محظور فان سحبه يجرى بطريق التهريب ، ففي خلال فترة من الزمن في سنتي ١٩٤٩ و ١٩٥٠ كانت قيمة الريال كفضة بموجب الاثمان السائدة في نيويورك وبومباي أعلى بكثير من قيمته كنقد في البلاد العربية السعودية مما جعل تهريبه الى الخارج يجرى على نطاق واسع .

وقد ادى الاسراع الذي لا موجب له في اصدار الريالات المسكوكة حديثا في بعض الاحيان الى هبوط في قيمة الريال كنقد ، ويحدث هذا عادة عندما يجرى استيراد هذه الريالات اذ يتم اصدارها بصورة اوتوماتيكية فور وصولها دون الالتفات الى قيمة الريال بالعملات الأجنبية او الى مستوى الاثمان الداخلية ، وقد حدث هذا في سنتي ١٩٤٩ - ١٩٥٠ ، ووقع مرة اخرى في اوائل سنة ١٩٥١ . وتراوح قيمة الريال الصرافية بين ٢٠ر من الدولار في ربيع سنة ١٩٥٠ و ٢٨ر من الدولار في أواخر السنة المذكورة ، وفي سنة ١٩٥١ حصل

مثل هذا التفاوت ولو على نطاق ضيق . وكان يجرى اصلاح هذا الوضع في كل حالة خلال بضعة أشهر بواسطة التهريب وعن طريق الاستهلاك المحلي للريالات .

وعلى النقيض من الاحوال السائدة خلال ١٩٤٩ - ٥١ كان الوضع في النصف الاول من ١٩٥٢ ، ففي ذلك الوقت كان يجرى دفع الريالات الواصلة حد يثا بالقدر الذي تدعو الحاجة فقط بدليل اتجاه قيمة الريال نحو الصعود وبخلاف ذلك كانت الحكومة تحصل على حاجتها من العملة المحلية من حصائل مبيعاتها للعملات الأجنبية وكانت الحكومة ايضا عند الضرورة تشتري الريالات قبل حلول الحاجة اليها لكي تحول دون هبوط السعر ، ونتيجة هذه التدابير كان الريال في النصف الاول من سنة ١٩٥٢ اكثر استقرارا مما كان عليه خلال اية مدة اخرى مماثلة امكن الحصول على بيانات عنها . فقد كان التغير في حدود مدى يبلغ حوالي ٢% فقط من احدى ناحيتي معدل الاسعار " المتوسطة " اى حوالي ٢٧ر من الدولار . واستمر هذا الاستقرار حتى الجزء الأخير من شهر يونيو عندما ارتفعت قيمة الريال الى ٢٨ر - ٢٩ر من الدولار بتأثير الطلب الكبير المبكر بمناسبة موسم الحج والذي حدث قبل وصول الريالات الجديدة المطلوبة من المكسيك والتي بدأ وصولها في اغسطس .

تستطيع المؤسسة ان تقوم بتنفيذ مسئوليتها لاجاد عملة اكثر استقرارا ليس بتثبيت الجنيه الذهبي السعودي على الوجه المقترح فحسب ، بل وببذل ما في وسعها للحيلولة دون تذبذب سعر الريال ، ويتضح من التحليل السابق ان المؤسسة تستطيع ان تعمل كثيرا من اجل ضبط سعر الريال ، واول وسيلة لتحقيق هذا الغرض هي تنظيم معدل اصدار الريالات المسكوكة مجددا ، فالمادة الرابعة من وثيقة النظام الاساسي تنص على ان من وظائف المؤسسة . -

" تقديم المشورة للحكومة فيما يتعلق بسك عملات جديدة وفي التدابير الخاصة بصنع كافة انواع العملة واستيرادها وطرحها للتداول . ومن المفهوم ان اصدار العملات وطرحها للتداول لا يكون الا بواسطة المؤسسة وبنا على طلبها . "

في شهرى يونيو ويوليو من سنة ١٩٥٢ طلبت الحكومة من المكسيك صنع ٥٢ مليوناً من الريالات المرببة سيصل القسم الاكبر منها قبل نهاية سنة ١٩٥٢ ، وبوجود هذه الريالات في متناول اليد مع امكان الحصول على المزيد منها عند الحاجة تصبح المؤسسة في الظروف القائمة في وضع يمكنها من الحيلولة دون حصول زيادة لا مبرر لها في القيمة الداخلية للريال ، انما تستطيع حينذاك ان تطرحها بالسرعة أو الثاني الذي تقتضيه الظروف . ان المنزلة التي تمتع بها الريال في صيف ١٩٥٢ تشير الى أهمية وجود كميات مخزونة كافية من الريالات الجديدة في بداية شهر مارس ١٩٥٣ لمواجهة الطلب الموسمي عليها ، وبخلاف ذلك لا يمكن ضبط اسعار الصرافة واذا دعت الحاجة الى اصدار طلبات جديدة لسك النقود ، فيجب تقديمها قبل ثلاثة اشهر من موعد وصول الكميات الاولى بحيث تكون الكمية المطلوبة بكاملها قد وصلت في الاول من يونيو . لقد جرت المكسيك على تسليم الكميات المطلوبة بمعدل عشرة ملايين ريال عربي شهريا . ولذلك يجب استعراض الوضع من جديد خلال فبراير ١٩٥٣ .

ان التجربة والاختبار فقط سيبينان الى اى مدى وبأية سرعة سيجرى استبدال الريالات لأغراض التداول

بالجنية الجديد باعتباره نقدا ماثما إذا فئة كبيرة • ويجب ان يكون لجميع الجنيهاات الجديدة الصادرة غطاء •
كامل بالريالات ريثما يثبت للمؤسسة بالاختبار بان هذه الجنيهاات ستبقى في التداول بمقدار يسمح بالاكتمال •
بغطاء • اقل من الغطاء الكامل • والاجرا • الآخر الذي تستطيع المؤسسة اتخاذه للتأثير على قيمة الريال
بالنسبة للجنية الجديد ينشأ عن وظيفتها كوكيلة مالية للحكومة ، فالمؤسسة بصفتها هذه ستستلم وتودع لديها
جميع مقبوضات الحكومة ، وستكون مقبوضات الحكومة بالريالات والجنيهاات الجديدة مهياة للاحتفاظ بها أو دفعها
الى جانب الاموال المحفوظة على سبيل الاحتياط ، وللمؤسسة وظيفة أخرى بالاضافة الى هذه وهي استلام
الاموال التي تدفع للحكومة بالعملات الأجنبية واهمها دخل الحكومة من الزيت ، وتستطيع المؤسسة ان تحول
هذه العملات الى ريالات أو جنيهاات جديدة مع مراعاة الأوضاع السائدة في السوق ، فلو احتاجت الحكومة مثلا
الى ريالات في الوقت الذي يكون فيه الريال شحيحا ومتجهة قيمته نحو الارتفاع فان بإمكان المؤسسة ان تؤمن
الريالات المطلوبة من احتياطي الريالات الذي لديها وان تحتفظ بالعملات الأجنبية بدلا منها ، وفي الحالات
التي يكون الريال فيها متوافرا بكثرة وتتجه قيمته نحو الهبوط تستطيع المؤسسة ان تشتري الريالات من السوق
لتأمين حاجات الحكومة في مقابل عملات أجنبية أو غنيمة ذهبية سعودية ، وبوسعها ايضا ان تشتري الريالات
وتحتفظ بها لحسابها الخاص لتأمين الاحتياجات المستقبلية •

وهكذا ، مع ان المؤسسة غير ملزمة باقرار سعر ثابت للريال فانها تملك موارد ضخمة تمكنها من الحد
من التقلبات التي لا موجب لها • وتستطيع المؤسسة ان تعمل كثيرا من أجل تنفيذ غرض الحكومة الراعي — كما
جا • في المرسوم الملكي الصادر من لدن حضرة صاحب الجلالة الملك — الى تجنيب الحكومة والشعب الخسائر
الناجمة عن التقلبات في قيمة العملة العربية السعودية •

٤ . اسعار الجنيه الجديد والريال

انني اؤكد بان قيام المؤسسة بالمحافظة على اسعار معينة بين الريال والجنيه الذهبي السعودي يتوقف اولاً على وجود تغييرات كبيرة في الاسعار العالمية للذهب والفضة ، ويتوقف ايضاً على وجود كميات كافية من كل من النقدين في حوزة المؤسسة في جميع الاوقات لتأمين جميع الطلبات بالاسعار المقررة . ولن يكون بالامكان الاحتفاظ بسعر ثابت بين هذين النقدين الا بتعديل الريال على الاسس المذكورة في الفصل القادم .

ان افضل سياسة يمكن اتباعها بالنظر للموضع الاساسي في البلاد العربية السعودية ووجهة نظر الحكومة والشعب ، ومع اخذ هذه المبادئ بعين الاعتبار ، هي ان تقوم المؤسسة نيابة عن الحكومة . -

١ . بجعل اسعار العملات الأجنبية بالنسبة للريال تحت المراقبة بالمستوى التقريبي المرغوب قبلاً
اصدار الجنيه الجديد .

٢ . باصدار الجنيه الجديد بقيمة مساوية لعدد معين من الريالات ، وبابقاء الريال ثابتاً على السعر المعين له تجاه الجنيه ، على ان تراعى بالطبع المبادئ المشار اليها بعاليه .

وهكذا تصبح للجنية الجديد قيمة بالعملات الأجنبية ضمن المدى الموصى به سابقاً ، وسوف تعمل المؤسسة بحزم للحيلولة دون هبوطه الى ما دون ذلك المدى بشراء الجنيهاً و/او الريالات لقاء دولارات حين الطلب وبمبالغ غير محدودة ، وستحول المؤسسة بالمثل دون ارتفاع اسعار الصرافة فوق الحدود القصوى لهذا المدى باصدار جنيهاً جديدة و/او ريالات .

ويجب اعتبار الاجراءات السالفة الذكر انتقالية يجرى العمل بها لبينما يمكن تعديل الريال على الاسس المقترحة فيما يلي .

ولذلك فان اول ما يجب عمله في هذا الشأن هو اختيار المستوى الأفضل للريال ، ويجب ان يجرى اختيار هذا المستوى بعناية فائقة لكي يؤدي الى اقل اضطراب ممكن ، ويجب ان يكون سعراً باعناً على التوازن وتنطبق على اختيار هذا المستوى المقاييس التالية . -

(أ) يجب ان يكون اقرب ما يمكن من الناحية العملية للاسعار السائدة في الماضي القريب ، تلك الاسعار التي اعتاد عليها الجمهور والتي بموجبها تكيف اقتصاد البلاد .

(ب) يجب ان يكون اقل ما يمكن تعرضاً لاي تغيير في ثمن الفضة يمكن توقعه في الوقت الحاضر .

(ج) يجب ان يكون مستوى في وسع المؤسسة المحافظة عليه ، عرضة لحدوث تغييرات رئيسية في القيمة الداخلية او الخارجية للفضة .

(د) يجب ان يكون على نسبة ملائمة مع الجنيه الجديد في المدى الموصى به وهو ١٠ : ١ - ١٠ : ١١ دولاراً .

(هـ) يجب ان ينطبق الى ابعد حد عملي ممكن على اي برنامج لاحق لتعديل الفضة والنقود الصغيرة

الأسعار الأخيرة

شهدت السنة السابقة لشهر يوليو ١٩٥٢ استقرارا غير عادي في أسعار الريال - الدولار - فقي
النصف الثاني من سنة ١٩٥١ بلغ معدل الأسعار الوسطى ٣٦٤ ريالاً عربياً للدولار الواحد ، اي حوالي
٣١٤ . وفي النصف الأول من سنة ١٩٥١ كان معدل الأسعار الوسطى ٣٢٨ ريالاً عربياً للدولار الواحد ،
اي حوالي ٣١٦ . ومع ذلك فقد ارتفعت قيمة الريال ابتداءً من اواخر يونيو ١٩٥٢ الى ٣٠٩ اي الى
٣٤٠ للدولار الواحد . وفي شهور يوليو واغسطس وسبتمبر من سنة ١٩٥٢ بلغ معدل القيمة حوالي ٣١١ أو
٣٥٠ للدولار الواحد .

وبين الجدول التالي الأسعار الشهرية اعتباراً من يوليو ١٩٥١ ،

معدل قيمة الريال معدل قيمة التبادل زيادة الربح في نيويورك
ريالات دولارات في نيويورك
للدولار الواحد للريال الواحد على جـدـه

١٩٥١

يوليو	٣٦٢٩	٢٧٦ ز. دولارا	٣١١ ز. دولارا	١٢٧ %
اغسطس	٣٦١٠	٢٧٧ ز.	٣١١ ز.	١٢٣ %
سبتمبر	٣٦٢٣	٢٧٦ ز.	٣١١ ز.	١٢٧
اكتوبر	٣٦٣٨	٢٧٥ ز.	٣٠٣ ز.	١٠٣
نوفمبر	٣٦٥٧	٢٧٤ ز.	٣٠٣ ز.	١٠٦
ديسمبر	٣٦٨٥	٢٧٢ ز.	٣٠٣ ز.	١١٣
المعدل	٣٦٤٠	٢٧٥ ز.	٣٠٧ ز.	

١٩٥٢

يناير	٣٧٤٢	٢٦٨ ز.	٣٠٣ ز.	١٣١
فبراير	٣٧٥٣	٢٦٧ ز.	٣٠٣ ز.	١٣٥
مارس	٣٧٧١	٢٦٥ ز.	٣٠٣ ز.	١٤٣
ابريل	٣٧٣٧	٢٦٨ ز.	٣٠٣ ز.	١٣١
مايو	٣٦٩٤	٢٧١ ز.	٢٩٤ ز.	٨٥
يونيو	٣٦٧٣	٢٧٣ ز.	٢٨٤ ز.	٤٤
المعدل	٣٧٢٨	٢٦٧٥ ز.	٢٩٨ ز.	
يوليو	٣٤٦٨	٢٨٨ ز.	٢٨٥ ز.	- ١ ز.
اغسطس	٣٥٠٣	٢٨٦ ز.	٢٨٦ ز.	-
سبتمبر	٣٤٩٢	٢٨٥ ز.	٢٨٦ ز.	-

ان تعزيز الريال في الصيف الماضي يعود جزئيا الى الطلب الموسمي عليه بمناسبة موسم الحج ، وقد اشتد الطلب على الريالات خلال موسم الحج بسبب استعمال الروبيات على نطاق اقل من المعتاد - نتيجة قيام الحكومة بتحديد استعمالها في الخريف الماضي - وبسبب قلة استعمال اوراق النقد المصرية الناجم عن عدم استقرار الحالة في مصر ، وقد يكون هنالك عامل آخر وهو عدم امكان استحباب الكميات الكبيرة من الدولارات التي آلت الى البلاد العربية السعودية والى الكويت من صادرات الزيت ، والتي حول قسم منها على ما يبدو الى ريالات .

ان اصدار ٥٢ مليون ريال عربي من الريات المسكوكة مؤخراً سيؤدي حتماً الى خفض الاسعار ، فهذه الريالات يجب ان تصل جميعها الى البلاد العربية السعودية في يناير ١٩٥٣ ، ويزيد /مفعول هذا العامل الركود الموسمي على الطلب والمضاربة الناشئة عن بعض اعمال التصفية . وسوف يستعمل الجنيه الذهبي الجديد ايضا بدلا من ^{فوت} الريالات حالما يصبح ثابت الاركان في التداول ، وباستثناء ما يكون قد استعمل منه للحل محل الجنيهات الذهبية الانكليزية . ان توقع صدور تعرفه جديدة مخفضة قد ادى الى تأجيل الاستيراد ، واذ ظهرت مثل هذه التعرفة فان تقديم طلبات جديدة لاستيراد البضائع سيحمل التجار على اخراج الريالات التي يحتفظون بها الآن . وعلى المؤسسة ان تعير اهتمامها لجميع هذه العوامل لدى اقرار سياستها الخاصة بالاسعار .

ان مجرى الاسعار في الآونة الأخيرة وسيرها المرتفع يدعو الى اختيار مستوى في نطاق مدى تقريبي يتراوح بين ٣٥٠ و ٣٨٥ للدولار الواحد ، اي فيما بين ٣١١ و ٣١٦ ١/٤ ، ولم يحد الريال عن هذا المدى الا قليلا لمدة تزيد على السنة .

علاقة الاسعار بثمان الفضة

بلغ ثمن الفضة في نيويورك ٨٨ ر . من الدولار من اكتوبر ١٩٥٢ لغاية مايو حينما هبط الى ٨٢ ٣/٤ ر . من الدولار ، وقد استقر الثمن على ٨٣ ١/٤ ر . من الدولار منذ ٢٤ يوليو حتى اول اكتوبر ، وبما ان الريال يحتوى على ٣٤٣٧٥ ر . من الأونس من الفضة النقية فاب قيمته كسبيكة بسعر ٨٣ ١/٤ ر . من الدولار تساوى ٢٨٦ ر . من الدولار . وهذا يقابل ٣٥٠ ريالاً عربياً للدولار الواحد و ٣١١ ر . بسعر السوق ، وتتعادل قيمة الريال في الوقت الحاضر تقريباً مع قيمة وزنه كسبيكة في نيويورك وبومباي ، وهي حالة نادرة الوقوع . ويدل الاختبار بان الخطر من تهريب الريالات الى الخارج يكون قليلاً عندما لا تكون قيمة الريال اقل مما يعادل قيمته كسبيكة بنسبة تزيد على ١٠ % - ١٥ % ، وهكذا اذا بقي الثمن الحالي للفضة قائماً فان الريال قد يهبط بنسبة ١٠ % عن ٣١١ ، وقد يصل حتى الى ٣١٨ ، دون التعرض كثيراً لخطر التهريب لا يستطيع احد ان يتنبأ بأمان عن ثمن الفضة في المستقبل ، واكثر الفروض قبولاً من الناحية العملية لفرض عمليات المؤسسة للمستقبل القريب هو عدم احتمال ارتفاع الثمن الى اكثر من ٩٠ ١/٤ ر . من الدولار طالما ان تجاوز هذا الرقم سيجعل الانتاج الامريكي الذي يباع الآن لحكومة الولايات المتحدة يتحول الى الأسواق وربما ايضا جزء من فضة الحكومة الامريكية ، ولا يحتمل ان يطرأ هبوط شديد على المستوى الحالي ما لم يتدهور الوضع الاقتصادي العام تدهوراً كبيراً . وخلاصة القول ان المؤسسة تستطيع ان تضع سياستها المستحيلة - دون التزام التقيد بها في المستقبل - على اساس مدى للثمان يتراوح بين حوالي ٨٠ ر . و ٩٠ ر . من الدولار ماذا عن ثمن الفضة في بومباي ؟ كانت قيمة التعادل في بومباي حتى مارس ١٩٥٢ اعلى منها في نيويورك ، ومع ذلك لم يكن هناك ما يدل على حصول تهريب يذكر ، وقد كانت قيمة التعادل في الهند منذ حصول الهبوط في الاثمان الهندية في مارس ١٩٥٢ اقل مما هي عليه في نيويورك وتبلغ في الوقت الحاضر

حوالي ٢٨ ر من الدولار وهي قيمة الريال الحالية بوجه التقريب • ولذلك لا داعي للقلق من ناحية بومباي •

والجدول التالي يبين علاقة الأسعار المختلفة بثمان الفضة في نيويورك • —

ريالات للدولار الواحد	قيمة التعادل بالدولارات	ثمان الفضة التقريبي	زيادة ربح الفضة في
الرقم العشري	السعر التقريبي	في نيويورك المقابل	نيويورك على جده بسعر
		لقيمة التعادل	٨٣ ١/٤ ر ٨٨ ر ٩٠ ر
			دولار
٣٥٠٠	٣١١ ر	٢٨٦ ر ٢٨٦ ر	٨٣ ر ٨٣ ر
٣٥٤٥	٣١٢ ر	٢٨٢ ر	٨٢ ر
٣٥٩١	٣١٣ ر	٢٧٨ ر	٨١ ر
٣٦٣٦	٣١٤ ر	٢٧٥ ر	٨٠ ر
٣٦٨٢	٣١٥ ر	٢٧٢ ر	٧٩ ر
٣٧٢٧	٣١٦ ر	٢٦٩ ر	٧٨ ر
٣٧٧٣	٣١٧ ر	٢٦٥ ر	٧٧ ر
٤٠٠٠	٤٠٠ ر	٢٥٠ ر	٧٣ ر

يبدو من الأرقام السالفة الذكر بأنه ليس من الصعب اختيار مستوى بين ٣١١ ر و ٣١٦ ١/٢ ر أي

٣٥٠ ر و ٣٧٥ ر ، شريطة ان لا يتغير ثمن الفضة بصورة جوهرية ، ويبدو منها ايضا ان ٣٧٥ ر يعتبر مستوى لا بأس به بسعر ٨٨ ر من الدولار ، ولولبدون حد ، غير أنه قد يكون مستوى منخفضا جدا بسعر ٩٠ ر من الدولار ، واية قيمة للريال تقل عن ٣٧٥ ر يمكن ان تؤدي الى بعض التهريب اذا ارتفع ثمن الفضة الى ٨٨ ر - ٩٠ ر من الدولار •

امكانية المحافظة على سعر في مدى ٣١١ ر - ٣١٦ ١/٢ ر

بوجود ٥٢ مليوناً من الريالات المسكوكة مؤخراً التي اما ان تكون قد وصلت او لا تزال في طريق الشحن والتي لم يسبق اصدار أي قسم منها قبل أول اكتوبر ١٩٥٢ ، تصبح لدى المؤسسة وسائل فعالة لمواجهة الطلب على الريالات بالسعر الأولي المختار • واذا ظهر ، للأسباب المذكورة سابقا ، بأن هذه الكمية غير كافية يمكن طلب كميات اضافية من الريالات • ومع ان الريالات تصدر بقيمة ادنى قليلاً من تكاليفها فان المحافظة على مستوى للصرافة يكون موافقا لبيع دخل الحكومة من العملات الأجنبية من شأنه ان يؤدي الى منافع ستكون أبعد اثراً من مجرد التعويض على الخسارة الناشئة عن اصدار الريالات الجديدة ، وبسبب هذا الوضع يقتضي ان تتحمل الحكومة لا المؤسسة أية خسارة تنشأ عن اصدار الريالات الجديدة •

لن يتأثري الا بالخبرة معرفة عدد الريالات والجنيهات العربية السعودية اللازمة لتأمين حاجات البلاد على أساس المستوى الصرافي المقرر ، اما بخصوص الجنيهات فان مجموع ما طلب منها مليونان ستصل جميعها في اكتوبر ١٩٥٢ . ويجب ان يكون للكميات الصادرة منها ، كما ذكرت آنفا ، غطاء كامل بالريالات لئلا تقتنع المؤسسة بان وجود غطاء اقل يكفي للمحافظة على كل من النسبة القائمة بين الريال والجنيه (مع مراعاة التخفيضات الجوهرية في الاسعار العالمية للذهب والفضة) والمستوى الصرافي المختار .

ان المحافظة على سعر ثابت وملائم بين الجنيه الجديد والريال ، مع مراعاة الأمر المذكور ، سيعزز الثقة بالجنيه الجديد تعززا كبيرا وسيؤدي بالتالي الى استبدال الريالات بجنيهات ، غير ان حلول الجنيها محل الجنيهات الانكليزية سيعكس جزئيا الآثار النقدية المترتبة على زيادة الجنيهات السعودية .

ان الطلب على النقود في البلاد العربية السعودية ينمو باطراد ، ويضاف قسم جوهري منها الى رؤوس الأموال المحفوظة في شكل نقود مدخرة لعدم وجود نظام راق للائتمان والاستثمار ، فابتداء من سنة ١٩٤٩ اصدرت البلاد العربية السعودية ما مجموعه ١٣٠ مليون ريال عربي ، وفي سني ١٩٤٩ - ٥١ هـ هرب عدد كبير منها الى الخارج لأنها طرحت للتداول بسرعة أدت الى هبوط قيمتها هبوطا كبيرا ، ويستدل من الخبرة المكتسبة بأنه في الأحوال التي يسود فيها الرخا والتوسع تستطيع البلاد ان تمتص الريالات بمعدل يقرب من ثلاثين الى أربعين مليونا سنويا دون ان يؤدي ذلك الى اضطراب في السعرا أو في الائتمان الداخلية بشرط ان يجرى طرحها بالعناية اللازمة .

هل تستطيع المؤسسة ان تحول دون هبوط الريال ؟ ان هذه ليست بالمشكلة المستعجلة ، بل العكس هو الصحيح — خلافا لوضع كثير من العملات الأخرى في العالم . ان الحيلولة دون هبوط قيمة الريال ليس بالامر الصعب ، فموجب اتفاقية التثبيت المقودة مع الولايات المتحدة يوجد مال مقداره خمسة ملايين دولار تقريبا — ناشئ من حصائل اعارة وتأجير الفضة الموردة خلال الحرب لتأمين فوائد خاصة بالدولارات — لشراء الريالات بسعر يعادل ثمنها للفضة مقداره ٧٢٥ ر من الدولار ، وفوق هذا ، اذا قامت المؤسسة بجمع كمية كبيرة لا مبرر لها من الريالات فان بإمكانها اذا لزم الأمر ان تستعملها كضمان لدين لتسهيل حزمها هذا على فرض عدم رغبة المؤسسة في بيعها .

ان الحل النهائي المبحوث في الفصل القادم يدعو الى تعديل الريال واحلال نقد اقل كلفة محله تستطيع المؤسسة من المحافظة بحزم على قيمة تعادل ثابتة بينة وبين الجنيه العربي السعودي على أساس المستوى الصرافي الموضى به هنا .

نسبة الريال الى الجنيه الجديد

بينت في الفصل السابق ان مدى قيمة الجنيه الجديد بالنسبة للعملات الأجنبية يجب ان تكون

حوالي ١٠٦٠ - ١١٠٠ دولارا .

ان نسبة ٤٠ - ١ بين الريال والجنيه الجديد جرى بحثها لمدة طويلة في البلاد العربية -
السعودية ، فاذا تسنى لهذه النسبة ان تفي بصورة جوهرية بالشروط المذكورة في هذا التقرير ، مع العلم
بان المحافظة عليها تتوقف على عدم حدوث تغيير جوهري في الاسعار العالمية للذهب والفضة ، فان
اختيارها ستكون له ميزة كبرى وهي الاستجابة لرغبة الحكومة والجمهور في تفضيل هذه النسبة .
ان الريال على اساس هذه النسبة (٤٠ - ١) سيحوز على قيمة تبلغ ٢٦٥ ر - ٢٧٥ ر - من
الدولار ، وهذه القيم تقابل مدى مقداره ٣١٤ ر - ٣١٧ ر للدولار الواحد ، فاذا لم يجر ايصال الريال
الى هذا المستوى التقريبي ، فان نسبة ٤٠ - ١ قد تحطي للجنيه الجديد قيمة عالية جدا ، اى حوالي
١٤٠ ر ١ دولارا على اساس مستوى مقداره ٣١١ ر تقريبا ، وهو المستوى الذي كان سائدا حوالي اول
اكتوبر ، ولذلك ما لم يصل الريال الى مستوى اقل فان نسبة ٤٠ - ١ تعتبر عالية جدا .

علاقة السعر بالاجراءات المستقبلية لاعادة تنظيم العملة

بينما الحكومة لم تتوصل بعد الى قرار حول التدابير النقدية التي ستلي اصدار الجنيه الجديد ،
فان من المهم ان يلاحظ بان القرار الحالي بشأن مستوى الاسعار سيؤدي حتما الى تيسير السياسة النقدية
المستقبلية .

والاجراء التالي الذي يجب اتخاذه حالما يتم ادخال الجنيه الجديد بنجاح هو تحضير واعداد
نقود فضية ونقود صغيرة على اساس عشري ، وهذا الامر يتطلب الحصول على الفضة لسك النقود الجديدة
اما من السوق او من الكميات المخزونة من الريالات ، مما يدعو الى سحب الريالات من التداول ، اولا لاعادة
سكها كنقود وربما ايضا لبيعها كفضة بعد ذلك .

ان اختيار نسبة ٤٠ - ١ بين الجنيه والريال سيساعد فيما بعد مساعدة كبيرة على اعادة تعديل
الريال اذا ثبت للمؤسسة ان بالامكان المحافظة على هذه النسبة ، وهذا التعديل هو مدار البحث في الفط
القادم . واذا امكن ايضا المحافظة على هذه النسبة لمدة معتدلة فان ذلك سيسمح باعادة تقدير قيمة
القرش على اساس ٢٥ قرشا للريال الواحد ، او الف قرش للجنيه الجديد الواحد ، كما سيأتي شرحه في
الفصل السادس .

ليس من السهل الرجم بالغيب عن تأثير هذا التنظيم النقدي الجديد على القيمة الداخلية للريال ،
وقد يحرز هذا النقد قيمة نادرة في اثنا سحبه ولوائه من غير المحتمل ان تتجاوز هذه القيمة قيمته
كسبيكة . وقد تصبح المؤسسة بائعة للفضة حيث انه بوجود نقد موثوق تصبح الفضة اللازمة للتداول اقل
من المعتاد . ولذلك يجب ان تتجنب المؤسسة التورط في وضع قد يحملها على شراء كميات لا مبرر لها
من الريالات باسعار اعلى من التي تستطيع تحقيقها .

النتيجة فيما يتعلق بالسعر المبدئي

بناءً على الأسباب المار ذكرها يمكن حصر اختيار مستوى الريال في نطاق المدى ٣١١ إلى ٣١٦ ١/٢ للدولار الواحد ، أي حوالي ٢٨٦ ر. من الدولار و ٢٦٧ ر. من الدولار على التوالي . والقيمة الأعلى تكاد تتفق اتفاقاً تاماً مع قيمة التعادل الحالية للفضة في نيويورك بسعر ٨٣ ١/٢ ر. من الدولار (أي حوالي ٣١١ ر.) أن قيمة أعلى من ٢٨٦ ر. من الدولار (٣١١ ر.) لا تتسق مع أسعار الصرافة في العام الماضي . ولم يجر في الواقع تجاوز سعر ٣١١ ر. منذ سنة ١٩٤٥ إلا نادراً ولفترات قصيرة فقط ، ولم يصل السعر إلى هذا المستوى منذ سنة ١٩٤٧ إلا في صيف ١٩٥٢ فقط . وسوف تحقق الحكومة ناتجاً أقل من إيراداتها من العملات الأجنبية بسعر ٣١١ ر. ولا توجد بيانات مقنعة بأن اختيار مستوى عال نسبياً سيؤدي إلى أي انخفاض جوهري في الأثمان أو إلى زيادة القوة الشرائية لدى جمهور الشعب زيادة فعالة . والأولى أن يجرى العمل على تحقيق هذه الأهداف بأساليب أخرى خلاف معالجة النقد - كإيجاد استقرار في أسعار الصرافة وطرح عملة ملائمة قابلة للمبادلة بدون كلفة ، وتعديل رسوم التعرفة وتحسين إدارة الجمارك وزيادة الإنتاج .

ومن الناحية الأخرى نجد أن الأخذ برقم أقل من ٢٦٧ ر. من الدولار (٣١٦ ١/٢ ر.) قد يؤدي إلى خطر تهريب الريالات إلى الخارج . أن قيمة الريال على أساس هذا الرقم يقل بحوالي ٧% عن قيمته بموجب قيمة التعادل في نيويورك عندما يكون ثمن الفضة ٨٣ ١/٢ ر. من الدولار ، وفي حالة ارتفاع ثمن النقد إلى ٨٨ ر. من الدولار يصبح الربح من التهريب بنسبة ١٣% .

ومع أن الأسعار في النصف الأول من سنة ١٩٥٢ كانت حوالي ٣١٦ ١/٢ ر. وكان الثمن ٨٨ ر. من الدولار فإن ذلك لم يؤدي إلى زيادة تذكر في التهريب .

إني أوافق على اتباع ما يلي . -

١ . إيصال الريال إلى مدى ٣١٤ - ٣١٦ أو ٣١٥ - ٣١٧ ر. ، على أن يكون اختيار أحدهما دون الآخر متوقفاً على رد الفعل في السوق ، وبذلك يكون الامتداد في حدود قرشين أي أقل أو أكثر من السعر المتوسط بنسبة ١% ، فتكون الأرقام إذاً كما يلي . -

٣١٧	٣١٦	٣١٥	٣١٤	السعر المعطى للريال - الدولار
٣٧٧٣	٣٧٢٣	٣٦٨٢	٣٦٣٦	ما يقابل سعر الريال - الدولار
٢٦٥ ر.	٢٦٩ ر.	٢٧٢ ر.	٢٧٥ ر.	قيمة الريال بالدولارات

قيمة الجنية بالدولارات بنسبة ٤٠ - ١
١٠٦٠ ١٠٧٥ ١٠٨٢٥ ١١٠٠٠
دولارا

٢ . إعطاء الجنيه الجديد قيمة بالدولار تتراوح بين ١٠٦٠ - ١٠٨٨ ر. دولاراً أو بين ١٠٧٥ ر. - ١١٠٠ ر. دولاراً ، بما يتفق والقرار المتخذ بشأن ما جاء في الفقرة الأولى ، وبسعر ١٠٦٠ ر. دولاراً للجنيه

الواحد تكون قيمة التعادل للذهب كسبيكة حوالي ٤٥٠٠ ر ٤ دولارا للاونس النقية الواحدة ،
 اما بسعر ١١٠٠ ر ١ دولارا فتكون تلك القيمة ٤٦٧٥ ر ٤ دولارا ، وليس من المحتمل الوصول الى مستوى
 ٤٥٠٠ ر ٤ - ٤٦٧٥ ر ٤ دولارا للذهب الا في حالة نشوب حرب أو إعادة تهيئة الذهب .
 ان العمل على الأسس المذكورة بعاليه يعتبر خطوة هامة في سبيل الاستقرار ، وسيقابل بالشكر والتقدير
 في الأوساط التجارية ، وهو أيضا يتفق ونفسية الحكومة والشعب ويغني بحاجات إعادة تنظيم العملة في المستقبل

الاعتناء به كمنصر لاجل في نظام النقد " ان اتمنا " مؤسسة النقد يوجد في البلاد العربية المعاصرة في
 تولى اعداد الاجراءات العملية المتعلقة لتثبيت الريال ، غير ان كون الريال قد اعيد تهيؤا بعد محلا
 للأشغال التي على مستطاع المؤسسة من ابقائه منتظرا .
 ان اعيد الريال جديد يحتوي على كمية اقل من الفضة هو السبيل الوحيد لاجتياح الريال لولا المؤسسة
 البلاد العربية المعاصرة ، وهو السبيل الوحيد أيضا لتهيئة مخرجات من النقود بكافة أشكالها كالتصريف
 والجاهد في بيع بعضها للتصدير بكل حرية واسعار ثابتة دون كلفة لداخلها . ويؤكد جميع من رجع الى المؤسسة
 المحافظة على أسعار ثابتة تجعل القيمة المداولة من كل بلد ثلاثية مع الذهب الذي هو يكون في مكان المؤسسة
 أيضا تأييد التبادلة الى دولارات باسعار ثابتة .
 ومستطاع المؤسسة حلوه على ذلك ان تجعل الريال الجديد قيمة التبادلة مع الريال الحالي بالمؤسسة
 الأصلية ما دام ان تهيؤا رئيسها لم يطرأ على القيمة الأصلية للفضة أو في احوال أساسية أخرى . وهذا يجعل
 الانتقال الى النظام الجديد في غاية السهولة . غير انه لا يجوز التزم المؤسسة بالذهاب الى سعر ثابت
 للريال القديم في الزمن الكامل ، ولو انها تستطيع بالتصريح ان تجعل كثيرا لا أكثر من العملات .
 ان اتمت على تهيؤا منها بحيث لها استحقاقا فائضا بقيمة نقدية اقل من قيمتها كسبيكة يستمر في
 اعتاد في مستطاع مع السواقي والتأيد والتأييد في البلاد العربية المعاصرة . فليها بمقتضى بالسواقي لوجسند
 لديها كقيم النقود التي لها قيمة فائضا وهو ١٢ قوما للريال الواحد ، غير انها مصنوعة من معدن خفيف
 وما أنه يمتدح قيمتها بمعدل القيمة الظاهرة منها لثلاثة اضع حاجات الشعب لثباتها قليلة للمصرف الى
 بالاقبال مقارنها . ولا فرق بين هذا النوع وبين اعداد النقود خفيفة لا تكثر قيمتها بقليل وقيمتها
 الفضة سلكا جوهرا في الريال الحالي . بل تعتمد على ثلاثة اضع القيمة الظاهرة منها لثلاثة اضع الحاجات القوية
 على تعويضها الى ذهب او عملات أجنبية بقيمة أصالة معادلة وقد من خيارا لداخلها . وهذا ما كانها
 كفتح القرن الجديد . مستطاع على تأييد الحاجة لثباتها باثباتها من احوالها بوجسند من الشؤون
 الأساسية .
 ان اتمت على تهيؤا منها لا يستمر فاعلموا لثباتها ، فليها " تعبير " لنظام مخرجات
 معوية قديما قديما تلك البلاد والاعتماد بمخرجات من النقود جانبها الريال في الأصل مستطاع لاجل الاخذ
 بخطة الفضة ، فتعمل على اخراج النقود جديدة تحتوي على كمية اقل من المعدن لم يجرى بها اعتد ان
 كذا تهيؤا قديما على احوالها مساوية للنقود القديمة من حيث القوة على الريال . المستطاع ان لا يفسد

٥٠ - تعديل الريال

الحاجة الى ريال جديد

ان الريال الحالي كان يفي بحاجات البلاد العربية السعودية بصورة مرضية في الماضي ، غير انه للأسباب التي سبق شرحها ، (راجع بوجه خاص البحث المتعلق بحيوب النظام القائم في الفصل الأول) لا يمكن الاعتماد عليه كعنصر ثابت في نظام النقد . ان انشاؤ مؤسسة النقد يوجد في البلاد العربية السعودية هيئة تتولى اتخاذ الاجراءات العملية المعقولة لتثبيت الريال ، غير ان كون الريال نقداً فضياً ثقيلاً لا يدع مجالاً للأطمئنان الى متى ستستطيع المؤسسة من ابقائه مستقراً .

ان اصدار ريال جديد يحتوى على كمية اقل من الفضة هو السبيل الوحيد لاختضاع الريال لرقابة البلاد العربية السعودية ، وهو السبيل الوحيد ايضا لتهيئة مجموعة من النقود بفئات ملائمة قابلة للصرف والمبادلة مع بعضها البعض بكل حرية وباسعار ثابتة دون كلفة لحاملها . وحينئذ يصبح في وسع المؤسسة المحافظة على اسعار ثابتة تجعل الكمية المتداولة من كل نقد ملائمة مع الطلب عليه ، وسيكون في امكان المؤسسة ايضا تأمين المبادلة الى دولارات باسعار ثابتة .

وتستطيع المؤسسة علاوة على ذلك ان تجعل الريال الجديد قابلاً للمبادلة مع الريال الحالي بالقيمة الأصلية ما دام ان تغييراً رئيسياً لم يطرأ على القيمة العالمية للفضة أو في احوال اساسية أخرى . وهذا يجعل الانتقال الى النظام الجديد في غاية السهولة . غير انه لا يجوز الزام المؤسسة بالمحافظة على سعر ثابت للريال القديم ذي الوزن الكامل ، ولو انها تستطيع بالطبع ان تعمل كثيراً للاقلال من التقلبات .

ان استعمال نقود فضية يحتفظ لها احتفاظاً دقيقاً بقيمة نقدية أعلى من قيمتها كسبيكة يعتبر - في اعتقادى - متفقاً مع السوابق والتقاليد المرموقة في البلاد العربية السعودية . ففيما يتعلق بالسوابق توجد لدينا قطع القرش التي لها قيمة معينة وهي ٢٢ قرشاً للريال الواحد ، غير انها مصنوعة من معادن خسيسة . وبما انه يحتفظ بقيمتها بجعل الكمية المطروحة منها للتداول ملائمة مع حاجات الشعب فانها قابلة للصرف الى رiales بقيمة مساوية . ولا فرق بين هذا الوضع وبين اصدار نقود فضية لا تتأثر قيمتها بقيمة محتوياتها من الفضة - كما هو شأن الريال الحالي - بل تعتمد على ملائمة الكمية المطروحة منها للتداول للحاجات القومية وعلى حرية تحويلها الى ذهب او عملات اجنبية بقيمة اصلية معينة وبدون خسارة لحاملها . وهكذا فانها - كقطع القرش الحالية - ستعمل على تأمين الحاجة لمبادلتها باشياء من نفس قيمتها بموجب نصوص الشريعة الإسلامية .

ان اصدار نقود فضية من هذا القبيل لا يعتبر تحقيراً للعملة ، فكلمة " تحقير " تنطبق بصورة صحيحة فقط عندما تملك البلاد وتحتفظ بمجموعة من النقود جانبها الرواج في الأصل بسبب وزنها (اي الاخذ بقاعدة الفضة) ، فتعمل على اخراج نقود جديدة تحتوى على كميات اقل من المعدن ثم تقوم بطرحها للتداول بكميات غير محدودة على اعتبار انها مساوية للنقود القديمة من حيث القوة على شراء السلع او دفع الديون .

اننا لا نفكر في اجرا * شي * من هذا القبيل في التغير المقترح ، فالنقود الجديدة ستكون محدودة من حيث كميتها بما يؤمن حاجات التداول بقيمة التبادل المتفق عليها وستبقى ثابتة على سعر معين يفوق قيمة محتوياتها المعدنية ، وذلك بجعلها قابلة للمبادلة بحرية بالقيمة الأصلية حين الطلب ، وسوف لا تكون لمحتوياتها أهمية عملية في نظر الجمهور الذي يستعملها كنقد ، كما هو الحال الآن مع قيمة القرش كمعدن .

وحرى بالذكر ، بصرف النظر عن النقاش السابق ، ان الريال كان قد اعيد سكه قبل خمس عشرة سنة عندما استمض عن النقود الكبيرة السابقة بنقود اخف وزنا منها ، وقد جرى تبرير ذلك بالسلطة التي يملكها صاحب الجلالة لاتخاذ اجراءات هامة يتضح انها في صالح المملكة ، وقد كان في وسع صاحب الجلالة حينئذ ان يوفق بسرعة بين هذا الاجرا * وبين تقاليد البلاد وقانونها ومن المؤكد ان التغير النقدي المقترح الآن لا يعتبر اشد مفعولا من اجرا * اعادة سك العملة السابق .

وعلاوة على ذلك نجد — حتى بموجب النظام الحالي — ان قيمة الريال تكون احيانا اعلى واحيانا اقل من قيمة محتوياته كفضة ، وتمزى هذه الاختلافات لأسباب كاصدار أو عدم اصدار الريالات المسكوكة مجددا ، وحدث تغيرات في الأسعار الخارجية للفضة وبيع العملات الأجنبية وفرض قيود على تصدير النقود ، ومدى طرح الجنيهات الذهبية للتداول .

لأسباب المذكورة بحالیه يظهر جليا بأن التغير المقترح يمكن تبريره باعتباره امرا يسمح به القانون وتقره السوابق اذا قرر صاحب الجلالة ان هذا التغير مرغوب فيه تحقيقا لمصلحة المملكة . متى يجب التحول الى اساس العملة الجديد ؟ ان تغير العملة يترتب عليه دائما بعض الاضطراب والاحتكاك ، وتستطيع الدولة ان تصمد لهذا التغير صمودا قويا عندما يسودها الرخا * ويكون دخلها القومي كبيرا . وعلاوة على ذلك ، فان النظام النقدي في الوقت الحاضر مستقر استقرارا حسنا ، واذا كان الرأي قد استقر على اجرا * التغير فيفضل القيام بهذا العمل عندما تكون الظروف مؤاتية وليس عندما تسوء الأوضاع أي عندما يصبح من المتعذر الاحتفاظ بقيمة مستقرة للريال كما حدث في الماضي وكما سيحدث ثانية اذا لم يتخذ أي اجرا * .

الأساليب المتبعة لتعديل العملة في البلاد التي تشكو من نفس المشاكل

تتحولت معظم اقطار العالم في المئة سنة الماضية من نظام معدني الذهب والفضة ، أو من احدي اشكال قاعدة الفضة ، الى نظم تستند على الذهب ، وتعتبر الخبرة التي اكتسبتها هذه الاقطار اساسا قيما لمعرفة ما يجب عمله وما لا يجب عمله لتنفيذ الاصلاحات النقدية . والاقطار التي قمت بتحليل اختباراتهما كانت في الدرجة الاولى تستند على الفضة ، ولو ان بعضا منها كان يستعمل الذهب الى حد ما بأسعار متفاوتة ، واقدام فيما يلي تحليلا لأساليب الاصلاح الرئيسية المستعملة في التحول الى اساس الذهب . —

١ . — تقليل العملة . — تنطوي هذه الطريقة على التوقف عن اصدار النقود وانتظار حدوث زيادة في عدد السكان واتساع في الأعمال التجارية ترتفع في اعتبارها بقيمة النقد الى اعلى من قيمته كسبب نتيجة ازدياد الطلب ،

ومن الأمثلة الشهيرة على هذه الطريقة الإصلاح الهندي في ١٨٩٣ - ٩٨ والإصلاح الذي أجرته مستعمرة المضائق في ١٩٠٣ - ١٩٠٦ .

في سنة ١٨٩٣ قامت الهند بإيقاف سك النقود الفضية بصورة حرة في دور السك عندما أصبحت القيمة الصرافية للروبية حوالي ١٥ بنسا وقيمة محتوياتها من الفضة حوالي ١٤ بنسا ، ونتيجة لهذا الأجراء وغيره هبط ثمن الفضة حتى أصبحت محتويات الروبية الواحدة من الفضة تساوي ١٠ بنسات تقريبا ، وقد هبطت قيمة الروبية الصرافية الى حوالي ١٣ بنسا ، ثم ارتفعت تدريجيا الى ١٦ بنسا حيث تم تثبيتها على مستوى أغلى من قيمة التعادل كسبيكة .

وقد كان الإصلاح الذي تم في مستعمرة المضائق مماثلا للإصلاح الهندي من حيث المبدأ ، غير أنه لم يكن حسن التنفيذ بسبب التأخير والتردد في تعيين القيمة الصرافية الجديدة للعملة .
ومن المؤكد ان طريقة الإصلاح هذه لا تصلح للتطبيق في البلاد العربية السعودية ، فإراء الخبراء متفقة بوجه عام بان هذا الأجراء - الذي يعمل على رفع قيمة العملة المحلية بالنسبة للعملات الأجنبية وعلى تدهور الأثمان - من شأنه ان يسبب اضطرابا ومتاعب لا ضرورة لها لبلد ما ، وتوجد بالنسبة للبلاد العربية السعودية اعتراضات خاصة تحول دون تطبيقه . لقد جرى سك عدد كبير من الريات ويحتل اخراج عدد كبير آخر من الريالات المذخرة اذا ارتفعت قيمتها ، مما يجعل من المستحيل معرفة مدى الوقت اللازم لرفع قيمة الريال .
يضاف الى ذلك ان قيمة الريال كانت لمدة من الزمن اقل في الغالب من قيمته كسبيكة في الأسواق الأجنبية .
فلضمان عدم صهر النقود أو تصديرها يجب الحمل على رفع قيمتها النقدية ليس الى أكثر مما يعادل قيمتها الحالية كسبيكة فحسب بل والى أكثر مما يعادل قيمتها بأى ثمن يحتمل ان تصل اليه الفضة . ان ثمن الفضة قد يرتفع كثيرا عن مستواه الحالي ، ولذلك فان مثل هذا النوع من الإصلاح يعني رفع قيمة الريال الى أكثر من ٣٠ ر. من الدولار ، ومن شأن مثل هذا الأجراء ان يؤدي الى نتائج انكماشية خطيرة ، وقد تنشأ عنه أيضا صعوبات في مالية الحكومة ناجمة عن تخفيض عدد الريالات التي يمكن تحقيقها من بيع العملات الأجنبية .
٢٠ - تعيين سعر صرفي جديد والاستبدال السريع للعملة القديمة بالعملة الجديدة . -

في البلاد التي جرى فيها استعمال هذه الطريقة بنجاح عمدت الحكومة أو البنوك الى الاحتفاظ بكميات كبيرة من النقد الفضي القديم وقد ساعد وجود سعر مرافق للفضة على تنفيذ الإصلاح ، ومن الأمثلة الحسنة على هذه الطريقة اصلاحات اليابان في سنة ١٨٩٧ - ١٨٩٨ ، واصلاحات المكسيك في سنة ١٩٠٥ - ١٩٠٧ ، واصلاحات الصين في سنة ١٩٣٥ - ٣٦ .

ان الاجراءات التي اتبعتها اليابان هي : - (١) اختيار وحدة جديدة من الين الذهبي ، (٢) استرداد الين الفضي القديم بالذهب بقيمته الأصلية التي كانت أعلى قليلا من قيمته كسبيكة ، (٣) بيع الفضة ، (٤) اصدار نقود فضية جديدة من فئات ١/٢ الين و ١/٥ الين و ١/١٠ الين مستندة على النقد الذهبي الجديد .
وقد استطاعت اليابان عمل ذلك ، أولا لأنها كانت تملك احتياطا كبيرا من العملات الأجنبية ، وثانيا لأنها كانت تعرف تماما الحد الأقصى لكمية النقود الفضية القديمة التي يمكن تقديمها لاسترداد قيمتها ذهبا . وقد ساعد ارتفاع ثمن الفضة على انجاز هذا الإصلاح بنجاح .

اما الاصلاحات في الصين وفي المكسيك فقد أجريت في ظروف تختلف في كل من البلدين عن البلد الآخر اختلافًا كبيرًا ، مع وجود اوجه كثيرة للشبه بينهما . ففي كلا الحالتين كان الأجراء • المنبع يقضي بتحديد قيمة العملة الجديدة بالذهب أو بالعملات الأجنبية ، وبيع المبالغ الاحتياطية من الفضة واستبدالها باحتياطي من الذهب والعملات الأجنبية ، وسحب النقود الفضية القديمة وبيعها ، وصدار نقود جديدة وعمليات ورقية إضافية مستندة على القاعدة الجديدة لتحل محل النقود المسحوبة . لقد أعادت المكسيك سك فضتها وصدّرت أيضًا نقودًا ذهبية وشهادات ذهبية ، اما الصين فقد استبدلت عملتها بنقود من النكل وعملة ورقية • ان ارتفاع ثمن الفضة الذي سهل القيام باصلاحات المكسيك كان الى درجة كبيرة بسبب اقبال الهند الشديد على شراء الفضة ، ويعزى الارتفاع في حالة الصين الى المشتريات الأمريكية الكبيرة التي كان يقصد منها رفع ثمن الفضة ، وقد كان لهذا الارتفاع اثره مزدوج أنه ادى الى اقلاع الصين عن قاعدة الفضة ومكنها في نفس الوقت من بيع فضتها باثمان حسنة وانشا • أموال احتياطية من الذهب والعملات الأجنبية • وهذان الاصلاحان كلاهما كانا ناجحين ، فقد جرى تنفيذهما بسرعة ولم يسببا الا الحد الأدنى من الاضطراب حال الشروع فيهما •

ان هذا الأسلوب العام لأصلاح قاعدة الفضة هو انسب الأساليب عندما تسمح الظروف بتطبيقه ، غير ان اجراء • تعديل حازم على هذه الأسس لا يعتبر الآن عمليا في البلاد العربية السعودية ، فالواقع اولا ان الحكومة والشعب ليسا على استعداد في الوقت الحاضر للأخذ بمثل هذا التغير • ان الضرورة تدعو الى تجربة الخطة الانتقالية التي جرى بموجبها ربط الجنيه الجديد بالريال بنسبة ٤٠ - ١ - عرضة لتغييرات جوهرية في الأسعار العالمية للذهب أو الفضة - قبل ان يصبح بالامكان اتخاذ خطوة أخرى ، وعندما يتسنى لمؤسسة النقد في المستقبل ان تبين بصورة عملية ان بإمكانها المحافظة على وضع نقدي أكثر استقرارا ، يكون قد حان الوقت حينئذ لاحداث تغيير اساسي أوسع نطاقا •

توجد اسباب عديدة أخرى تجعل التحول السريع الى الريال الجديد امرا متعذرا • -

(أ) لا توجد لدى الحكومة والبنوك نسبة كبيرة من الريالات الواقعة التي يمكن جمعها واعادة سكها ، ولو ان بعض المقتنيات من الريالات موجودة في الرياض ، وبالنظر لعدم اصدار اوراق نقدية فان الأموال الاحتياطية الخاصة باصدار الأوراق النقدية لا وجود لها •

(ب) ان كمية الريالات الموجودة حاليا في البلاد غير معروفة ولا يمكن تقديرها بوجه التقريب ؛ ان مجموع ما سك من النقود مما في ذلك الكميات المطلوبة في صيف ١٩٥٢ يبلغ ٢٧٠٥ مليون من الريالات العربية ، الا ان مبالغ كبيرة منها قد صدرت أو صهرت ولا يعرف احد مقدارها • وبما ان كمية الريالات الموجودة تتعذر معرفتها وبالنظر لعدم امكان التثبت من اثمان الفضة في المستقبل فان قيام الحكومة بتحويل الريالات بأسعار تختلف كثيرا عن اثمان السوق الحالية للفضة يعتبر مخاطرة كبيرة •

(ج) ان مبالغ كبيرة من الريالات تؤلف رؤوس أموال شغالة لبعض الأعمال والمشاريع ويقوم افراد الجمهور بادخالها ، ومن الصعب ان نقرر سلفا الى اي مدى سيستمر افراد الشعب في اقتنائها وبأي مقدار سيجرى تقديمها في حالة التبديل •

٣ - تداول النقود القديمة والجديدة في آن واحد لفترة من الوقت • - جرى استعمال هذه الطريقة

في الاحوال التي لا تسمح بالنحول السريع الى الأساس النقدي الجديد ، واصلاحات العملة في جزر الهند الشرقية الهولندية والفلبين تعتبر امثلة على ذلك •

في سنة ١٨٧٧ اخذت جزر الهند الشرقية الهولندية بقاعدة الذهب المستندة على تداول النقود الذهبية الهولندية ، وقامت بربط النقود الفضية والنحاسية المتداولة في الجزر في ذلك الحين بالذهب بسعر معين • غير ان قسما كبيرا من العملة المتداولة كان يتألف من النقود الأسبانية والمكسيكية وغيرها من النقود الفضية المتداولة على أساس قيمها كسبائك ، وقد سمحت الحكومة بتداول النقود الفضية الأخيرة في سومطرة وبورنيو لما يقرب من ثلاثين سنة لأن الشعب هناك كان يفضلها ويستعملها بصورة واسعة لتمويل تجارته مع الاقطار المجاورة التي تسير على قاعدة الفضة وثمة سببا آخر دعا الى ذلك وهو ان الفضة كانت في هبوط خلال معظم تلك المدة مما جعل دفع الأجور المحلية وغيرها من المصاريف بالفضة في مصلحة الشركات المنتجة • وفي تلك الأثناء • درجت الحكومة على قبول دفع الضرائب بالفضة بما يقرب من قيمتها الدارجة في السوق بعد اجرا • حسم بسيط كوسيلة لعدم تشجيع استعمالها • واخيرا عندما تخلت الاقطار المجاورة ، وخاصة مستعمرات المضائق ، عن الفضة قامت جزر الهند الشرقية الهولندية بسحبها من التداول •

اشتمل اصلاح عملة الفلبين لسنة ١٩٠٣ - ١٩٠٥ على تعيين وحدة جديدة مساوية لنصف الدولار الامريكي ، وعلى اصدار نقود جديدة من الفضة والنحاس مستندة على قاعدة الصرافة بالذهب حيث انه لم يجر اصدار نقود ذهبية • وقد حوفظ على قيمة النقود الموثوقة الجديدة بتحديد كميتها وقصرها على حاجات التداول بالمستوى المختار واستردادها بتحويل مالي بالعملة الأمريكية والحيلولة دون ارتفاعها بايراد نص يقضي باصدار نقود اضافية محليا مقابل دفع قيمتها بالعملة الأمريكية •

لقد كان ادخال النقود الجديدة مصحوبا ببعض الصعوبة لأن قيمتها بالعملات الأجنبية كانت أعلى قليلا من قيمة النقود الفضية الفلبينية والمكسيكية القديمة التي كان قد مضى عليها في التداول زمن طويل ، وقد سارت النقود القديمة جنبا الى جنب مع النقود الجديدة في دفع اثمان المشتريات من الأسواق المحلية ، غير ان الشعب كان يفضلها (أي النقود القديمة) بحكم العادة ولأن الحصول عليها كان أقل كلفة • وقد شرعت السلطات في اتخاذ اجراءاتها لاقصاء النقود الفضية القديمة على مراحل ، ففي أول الأمر ازلت ميزتها كنقد قانوني ، ثم قامت بتحويل جميع الرواتب الحكومية وجميع الضرائب والرسوم العامة الى العملة الجديدة ، وحظرت استيراد النقود الفلبينية القديمة الا كسبائك فضية بالأسعار الدارجة في السوق • واخيرا اصدرت قانونا ، يسرى مفعولة بعد عدة أشهر ، يقضي بفرض رسوم تزداد باضطراد على العقود المبرمة بالنقود القديمة وينص على استيفاؤها رسوم عالية على الرخص الصادرة للبيوتات التجارية والافراد الذين يتعاملون بالعملة القديمة بآية صورة من الصور • ويتمين هذا الموعد المقدم تكون الحكومة قد أعطت افراد الشعب مهلة لترتيب شئونهم على أساس العملة الجديدة • وقد اثبتت هذه الاجراءات فعاليتها في اقصاء النقود القديمة •

النتيجة فيما يتعلق بأكثر الخطط ملائمة للبلاد العربية السعودية

ان خطة تضم صفات معينة من الأسلوبين الثاني والثالث المشروحين بحالیه هي ، في اعتقادی الأكثر الخططة موافقة للبلاد العربية السعودية ، اخذا بعين الاعتبار الأحوال الحاضرة وموقف الحكومة والشعب ، وترمي الخطة المفضلة أولا الى تثبيت أسعار الصرافة في مدى معين كما سبق ان شرحت ، ولكن بدون ادخال نقود فضية جديدة في الحال وسوف يجرى ادخال نقود فضية جديدة في المستقبل حالما تسمح الظروف .

عندما يحين الوقت لتعديل الريال سوف تدعو الضرورة الى تعيين مدة يباح خلالها تداول الوالسين القديم والجديد في آن واحد ، ويمكن ان يتم هذا على أحد شكلين ، الأول ويتوصل اليه اذا لم يحدث تغيير جوهري في الأسعار العالمية للذهب والفضة من شأنه تقويض نسبة ال ٤٠ - ١٠ . ففي تلك الحالة يمكن استبدال الريالات الحالية بـ ١٠ ويسر بريالات جديدة تحتوي على كمية اقل من الفضة الى ان تتمكن من الحلول محلها بصورة جوهريه .

اما الشكل الثاني فيلجأ اليه اذا كان لا بد من السماح لقيمة الريال الحالي بالارتفاع بالنسبة للعملات الأجنبية ، ففي تلك الحالة يجب اعطاء قيمة مختلفة للريال الجديد تقل عن قيمة الريال الحالي ، وسأتي على ذكر مجمل للمناصر الرئيسية لخطة تستهدف مواجهة مثل هذه الحالة في البند الأخير من هذا الفصل الذي عنوانه " الطريقة البديلة لتعديل الريال " . ان الشكل الأول بفضل الثاني كثيرا اذا كانت الأسعار العالمية للذهب والفضة تسمح بتطبيقه .

يجب ، على ما اعتقد ، التقيد بالمبادئ التالية عند تعديل نظام النقود الفضية على ضوء الخططة العامة التي سبق ذكرها . -

- ١ . ان الريال الجديد ، مع احرازه لنفس القيمة النقدية التي للريال القديم ، يجب ان يحتوى على كمية اقل من الفضة تساوى قيمته الاسمية على اساس سعر للفضة لا يقل عن ٢٩٣ را دولارا للاونس الواحد ، مما يضمن له الحماية الصالحة ضد الصهر او التصدير .
- ٢ . من الأفضل ان يكون أكبر قليلا في الحجم حتى يمكن تمييزه بسرعة وضمانا للثقة به .
- ٣ . يجب ان تحتوى قطع نصف الريال وربع الريال على كمية من الفضة اقل قليلا مما يحتويه الريال بالنسبة لقيمة كل منها ، بحيث تكون لهما درجة أعلى للذوبان تمكنهما من البقاء في التداول في حالة وقوع حوادث غير منظورة قد تؤدى الى رفع ثمن الفضة الى درجة ذوبان الريال .
- ٤ . يجب ايجاد قطعة من فئة الأربعة ريالات تحتوى على نفس الكمية من الفضة الموجودة في الدولار الأمريكي وتكون درجة ذوبانها بالقيمة المغطاة أعلى من ٢٩ را دولارا للاونس الواحدة . وستكون القطعة الجديدة مساوية لعشر الجنيه الجديد وستملاء فراغا هاما في النظام الحالي بتأمين الحاجة الى نقد من فئة أكبر من الريال .
- ٥ . يجب ان تكون لجميع هذه النقود " حافة امان " محفورة على جوانبها منعا للتزوير .

المحتويات من الفضة

ان الريال الحالي الذي يحتوى على ١٦٥ قمحة (غرين) أو ٣٤٣٧٥ ر. من الأونس من الفضة النقية يسوى ٢٨٦ ر. من الدولار كسبيكة بسمر ١/٨ ر. ٨٣ من الدولار للأونس الواحدة من الفضة . لقد تجاوزت قيمة الريال كسبيكة قيمته كنقد خلال معظم السنة الماضية ، كما يتضح من الرسم البياني رقم ٢ ، ولكن ليس الى حد يكفي لجعل تهريب النقود الى الخارج يجرى على نطاق ملحوظ . ويبدو جليا ان الريال ، في ظل نظام نقد معترف به ، يجب ان يشتمل على محتويات اقل من الفضة للحيلولة دون خروجه من التداول ولتخفيض تكاليف السك ايضا .

سوف تتمتع العملة الفضية للبلاد العربية السعودية بالحماية الكافية اذا لم تكن " درجة ذوبانها " اقل من ٢٩٣ ر. دولارا ، وهي درجة ذوبان الدولار الفضي الامريكي ، اما درجة ذوبان النقود الفضية الامريكية الاخرى فهي ٣٨ ر. دولارا تقريبا ، فاذا كانت القيمة المعطاة للريال تبلغ حوالي ٢٧ ر. من الدولار فان النقد يجب ان يحتوى على ١٠٠ قمحة (غرين) من الفضة النقية لأجل ان تكون درجة ذوبانه ٢٩٣ ر. دولارا أو حوالي ٩٣٥ ر. ٥٠ (قمحة غرين) بسمر ٣٨ ر. دولارا .

حجم ووزن وتركيب قطع النقد الفضية الجديدة

من الأفضل ان يكون الريال الجديد أكبر في الحجم من الريال القديم . ان زيادة حجم الريال الجديد ستساعد على دعم الثقة به في حالة تنقيص محتوياته من الفضة النقية وعلى اجرا " فرز الكميات المخلوطة بسرعة ، ولا يعتبر وجود حافة الأمان الموصى بها فيما يلي كافيا لتسهيل الفرز ، فالروبية الهندية لها حافة امان وهي في نفس حجم الريال الحالي ولكن بقيمة اقل ، ولذلك يمكن تصريف الروبية كريال جديد اذا جرى فحص الحافة فقط .

ان قطر الريال الحالي ٥٠٥٤ ر. ٣٠ مليمترا ، واقترح ان يكون قطر الريالات الجديدة حوالي ٣١٦٥ ر. ٣ مليمترا حتى يمكن تمييزها بسهولة .

اما الوزن فليس من الحكمة زيادته لأن الريال ضخم وثقيل في حالة الحاضرة . ان وزن قطعة النقد يزداد تناسبيا مع زيادة مربع قطرها ، ولذلك فان قطعة نقدية بسبك الريال وبقطر طوله ٣١٦٥ ر. ٣ مليمترا يجب ان تزن حوالي ١٩٣ قمحة (غرين) ، ولأجل تجنب زيادة الوزن الى اكثر من الوزن الحالي وهو ١٨٠ قمحة (غرين) يمكن جعل الريال الجديد اقل قليلا في السمك من الريال الحالي .

اذا كان من الواجب ان يكون وزن الريال الجديد مماثلا لوزن الريال الحالي وان تكون درجة نقاوته ٥٠٠ فانه سيحتوى على ٩٠ قمحة (غرين) من الفضة النقية وستكون درجة ذوبانه حوالي ٤٣ ر. دولارا ، وبه هذا الرقم رقما مأمونا كما يمكن التكهن به الآن .

ان افضل مزيج معدني للريال الجديد ، حسب رأيي ، هو المزيج الرباعي المستعمل الآن في بريطانيا العظمى والهند وغيرهما من بلاد العالم والذي يتألف من ٥٠٠ جزء من الفضة و ٤٠٠ جزء من النحاس و

٥٠ جزءاً من الزنك و ٥٠ جزءاً من النكل ، غير أنه من المحتمل عدم إمكان الحصول على النكل ، ولذلك فان المزيج البديل المناسب الذي ينصح به خبراء السك هو الذي يتألف من ٥٠٠ جزء من الفضة و ٤٠٠ جزء من النحاس و ١٠٠ جزء من الزنك أو المنغنيز .

اما قطع نصف الريال و ربع الريال فيمكن ان تحتفظ بحجمها الحالي على ان تكون نقاوتها من درجة ٥٠٠ ، وهكذا تكون درجة ذوبانها أعلى قليلا من درجة ذوبان الريال ، ويمكن تمييزها بسرعة عن القطع الحالية بواسطة حافة الأمان ، ولا تدعو الحاجة الى تغيير احجامها لتمييزها عن قطع النقود الأجنبية التي يمكن استبدالها بسهولة .

ان قطعة الأربعة ريالات الجديدة المقترحة - بحجم مماثل لحجم الدولار الفضي الأمريكي الذي نقاوته ٩٠٠ درجة يمكن ان تكون درجة نقاوتها ايضا $916 \frac{2}{3}$ على غرار الريال الحالي ، وبذلك يسهل توضيح النقد الجديد ، وستكون درجة ذوبانها بالقيمة المقترحة حوالي ١٤٠ دولارا للأونصة الواحدة من الفضة وهكذا تكون حائزة على حماية هائلة . ومن المحتمل أن تكون هذه القطعة أول نقد فني يصدر على الأساس الجديد .

موجز عن قطع النقد الفضية المقترحة ، ومقارنتها

الفئة	الوزن (غرامات)	النقاوة	المحتويات من الفضة (غرامات)	القطر (مليمترات)	السمك (مليمترات)
٤ ريال	٢٦,٢٤٤	$916 \frac{2}{3}$	٢٤,٠٥٧	٣٨,١٠	٢,٨٤
١ ريال	١١,٦٦٣	٥٠٠	٥,٣٤٥	٣١,٦٥	١,٥٦
$\frac{1}{2}$ ريال	٥,٨٣١	٥٠٠	٢,٦٧٣	٢٤,٣٨	١,٣٦
$\frac{1}{4}$ ريال	٢,٩١٦	٥٠٠	١,٣٣٦	١٩,٥٠	١,٠٨

٢ - النقود الحالية

١ ريال	١١,٦٦٣	$916 \frac{2}{3}$	١٠,٦٩١	٣٠,٥٠	١,٦٧
$\frac{1}{2}$ ريال	٥,٨٣١	$916 \frac{2}{3}$	٥,٣٤٥	٢٤,٣٨	١,٣٦
$\frac{1}{4}$ ريال	٢,٩١٦	$916 \frac{2}{3}$	٢,٦٧٣	١٩,٥٠	١,٠٨

الكمية التي يحتاج اليها من قطع النقد الجديدة

يجب ان يراعى في بحث الكمية المطلوبة من الريالات مدى الطلب على الجنيه الذهبي السعودي

الجديد .

لا يستطيع احد ان يمين عدد الجنيهات الذهبية الانكليزية الموجودة الآن في البلاد العربية

السعودية، ففي المدة الواقعة بين ١٩٤٨ - ١٩٥٠ احضرت ارامكو حوالي عشرة ملايين جنيه ذهبي لتسديد دفعاتها الى الحكومة ، غير ان هذا كان يفوق كثيرا مقدرة البلاد على استيعاب النقود مما ادى الى تصدير القسم الأكبر منها ، وربما بلغ ما صدر من الجنيهات المذكورة ٩٠ % .

ان عدد الجنيهات الذهبية الجديدة التي تدعو الحاجة الى وجودها يتوقف على اقبال الجمهور عليها ، وخاصة على مدى وسرعة استبدال الجنيهات الذهبية الانكليزية بها . ان جعل سعر الريال بنسبة ٤٠ - ١ ، كما اعلن حضرة صاحب المعالي وزير المالية في الرابع من اكتوبر ١٩٥٢ ، مع وجود قيمة مضمونة للجنيه الجديد بالدولارات ، يحملنا على الاعتقاد بان الشعب العربي السعودي سيقبل النقد الجديد كنقد قوي . وسوف يحتفظ بمبالغ كبيرة من هذا النقد كروؤوس أموال تجارية وشخصية ، فمنها ما سيحل جزئيا محل الجنيهات الذهبية الانكليزية ومنها ما سيستعمل لزيادة رؤوس الأموال الحالية كلما سارت البلاد قدما في طريق الرقي نتيجة نمو انتاج الزيت والاتجاه العام نحو التقدم .

ان التجدد سيؤدي تدريجيا الى زيادة التسهيلات المصرفية والاقبال من التخزين ، ويجب اتباع جميع الأساليب العملية لتجميع الاستثمار في مختلف المشاريع الانتاجية وايتارة على الادخار ، غير ان المعاداة النقدية لا تتغير الا ببطء ولذلك فان ادخار الذهب والفضة سيستمر لمدة طويلة في المستقبل .

من المستحيل في الوقت الحاضر معرفة الكمية المطلوبة من الجنيهات الذهبية الجديدة ولو على سبيل التخمين ، ولن يتأتى ذلك الا بالتجربة والاختبار .

يبين الملحق رقم ١ مجموع ما سك من النقود الفضية بالسنوات ، ويمكن ايجاز ذلك بما يلي .

الى نهاية سنة ١٩٥٠ ١٤٣.٥٠٠.٠٠٠ ريال عربي

١٩٥١ ٥٠٠.٠٠٠.٠٠٠

١٩٥٢ (ومنها جزء لا يحتمل وصوله قبل

نهاية السنة

٧٧.٠٠٠.٠٠٠

المجموع ٢٧٠.٥٠٠.٠٠٠

وبلغ عدد الريالات الصادرة حتى أول اكتوبر سنة ١٩٥٢ من مجموع ما تم سكه في السنة المذكورة ٢٥ مليوناً فقط .

وتشمل المجاميع السالفة الذكر انصاف وارباع الريالات التي يبلغ مجموع قيمتها ٣٥ مليون ريال عربي ، الا ان ما قيمته مليوني ريال منها كانت قد طلبت حديثا من المكسيك ولم يكن قد جرى اصدارها في الأول من اكتوبر ١٩٥٢ ، وليس من المؤكد ان يكون هناك طلب على جميع هذه الكميات المطلوبة مؤخرا .

ان كمية الريالات الموجودة في البلاد العربية السعودية تقل كثيرا بالتأيد عن المائتي مليون ريال عربي تقريبا الصادرة حتى أول اكتوبر ١٩٥٢ ، لأن كثيرا منها قد جرى صهره أو تهريبه الى الخارج . ويقدر بأن مليوني ريال عربي أو أكثر كانت تهرب شهريا الى الخارج في اوقات معينة خلال السنوات السابقة عندما انخفضت قيمة الريال انخفاضاً كبيراً بالنسبة لثمن الفضة في الهند وغيرها من الاقطار . فاذا كانت هذه الأرقام صحيحة ، وحيث ان التهريب قد استمر لمدد طويلة ، فان من المحتمل ان تكون الكمية الموجودة من الريالات

قد نقصت الى ما يقرب من ١٥٠ مليون ريال عربي أو اقل . وفي الوقت الذي لا تخرج فيه هذه التقديرات عن نطاق الحدس والتخمين فان معدل ما يملكه الفرد الواحد - اذا اعتبرنا ان عدد سكان المملكة يبلغ ستة ملايين نسمة استنادا على التقدير الشائع لهذا العدد لعدم وجود احصاء رسمي - يمكن تقديره بما يتراوح بين ٢٠ - ٣٠ ريالا عربيا ، او ما يساوي ٥ - ٨ دولارات تقريبا بالسعر الصرفي السائد .

وبما ان النقود الجديدة سوف لا تكون نقودا فضية من الوزن الكامل فان ادخالها سوف لا يجرى على نفس النطاق الواسع كادخال الريال الحالي . ان النقود الفضية حسب التقاليد السائدة في البلاد العربية السعودية تستعمل لمجرد التداول بين يد وأخرى فحسب ، بل ويحتفظ بها ايضا كروء وساموال تجارية وشخصية وتقوم مقام الوادائع المصرفية وغيرها من اساليب الادخار المتبعة في الاقطار الراقية ، وقد ادى الرخاء في الآونة الأخيرة الى زيادة هذه المدخرات زيادة كبيرة حتى ان بعضها اصبح ضخما للغاية . ويحتفظ في الرياض ايضا بعدد كبير من الريالات .

ان انصاف وارباع الريالات لا تدخر عادة بل يجرى تداولها بكثرة . وكون أن ما قيمته ٥ ملايين ريال عربي فقط من هذه النقود قد تم اصداره حتى اول اكتوبر ١٩٥٢ يؤيد القول بان كمية الريالات المستعملة لأغراض التداول الفعلي من يد الى أخرى ثقلي كثيرا عن مجموع الكمية الموجودة في البلاد . سوف يكون عدد النقود الفضية الجديدة التي يحتاج اليها اقل من عدد الريالات الحالية ، ولما لا شك فيه ان عددا كبيرا من الريالات سيبقى مدخرا بعد تطبيق نظام العملة الجديد ، وقد تصبح قطعة الأربعة ريالات الجديدة المقترحة ، مع ذلك ، مألوفة تماما لأغراض الادخار .

لا سبيل الى معرفة مجموع الكمية التي يحتاج اليها من النقود الفضية الجديدة الا بالاختبار الفعلي ، فقط ، الا انه يبدو معقولا تخمين معدل التداول الفردي للنقود الجديدة بما يتراوح بين ٧ - ١٢ ريالا عربيا وسوف تزداد المطلوبات عن الحد الأدنى تدريجيا على مدى الزمن ، وسوف يكون مجموع الكمية المطلوبة لسنة ملايين نسمة في حدود تقريبية تتراوح بين ما قيمته ٤٠ - ٧٠ مليوناً من الريالات العربية الجديدة . وباستطاعتنا تدقيق هذه الأرقام بالمقارنة مع اقطار أخرى ، ولوانه من الصعب جدا مقارنة معدل تداول النقود الفضية بالنسبة للفرد الواحد في اقطار مختلفة نظرا لأختلاف المعاداة النقدية ، ولأن مدى استعمال العملة الورقية من الفئات الصغيرة يختلف بين قطر وآخر ، ففي مصر والحبشة والهند واندونيسيا والمكسيك - رى تقدير معدل التداول الفردي للنقود الفضية ، حسب البيانات المتوافرة ، بما قيمته دولارا واحدا للفرد الواحد تقريبا ، اما في الفلبين فيبلغ المعدل ضعف هذا الرقم تقريبا .

وبالنظر لعدم وجود عملة ورقية في البلاد العربية السعودية ، يوحى التحليل السابق بان طلبا مبدئيا من النقود الفضية الجديدة بما قيمته دولارين لكل فرد يعتبر موافقا . ولذلك ، فان الطلب الأول يمكن أن يكون لنقود تبلغ قيمتها الاسمية حوالي عشرة ملايين دولار ، مقسمة على وجه التقريب كما يلي . -

الفئة	القطعة	القيمة بالريالات
٤ ريالات	٢٠٠٠٠٠٠	٨٠٠٠٠٠٠٠ ريال عربي

٣٠٠٠٠٠٠٠	٣٠٠٠٠٠٠٠	١ ريال
٧٥٠٠٠٠	٥٠٠٠٠٠	١/٢ ريال
٢٥٠٠٠٠	١٠٠٠٠٠	١/٤ ريال
٣٩٠٠٠٠٠٠٠	المجموع	٣٩ ريال عربي

والسبب الداعي لاقتراح اصدار هذه الكمية الصغيرة من اُنصاف وارباع الريالات بصورة مبدئية هو ان مجموع الكمية الصادرة من النقود التي من هذه القيمة (أى ١/٢ و ١/٤ الريال) حتى أول اكتوبر ١٩٥٢ كان فقط ٥٠٠ مليوناً من الريالات أى ما يعادل ٤٠٠٠٠٠ دولار تقريباً .

ويجب عمل الترتيبات لسرعة تنفيذ الطلبات المقدمة في الخارج لصنع نقود فضية وصغيرة اضافية لمواجهة الطلب القادم حالما يأخذ في الازدياد ، فقد يدعو الطلب ، كما ذكرت آنفاً ، الى كمية من هذه النقود تساوى قيمتها ١٢ - ٢٤ مليون دولار في المستقبل غير البعيد .

وعلى أساس محتويات هذه النقود من الفضة النقية بالنسبة التي نفكر بها الآن ستبلغ تكاليف مثل هذا الطلب من النقود التي تساوى عشرة ملايين دولار حوالي ٥٠٠٠٠٠٠٠ دولار بسعر ١/٤ ٨٣ ر من الدولار للأونس الواحدة من الفضة ، وتبلغ كمية الفضة المطلوبة لصنعها ٦٠٠٠٠٠٠٠٠ أونس من الفضة النقية تقريباً ، ولذلك فان ربع الحق السيادى الأجمالى سيبلغ حوالي ٤٠٠٠٠٠٠٠٠ دولار ، اما الحق السيادى الصافى فسيكون اكثر من ٤٠ % .

المحافظة على قيمة التعادل للنقود الجديدة

ان الطريقة الأساسية لضمان قيمة التعادل بين هذه النقود والحيلولة دون ارتفاعها الى أعلى أو تدنيها الى اقل من القيمة المقررة بالنسبة للعملات الأجنبية ، هي جعل الكمية المتداولة من كل نوع منها متناسبة مع الطلب وسوف تحول المؤسسة دون حدوث ارتفاع في القيمة باصدار نقود اضافية عندما تدعو الحاجة الى ذلك اى عندما تميل قيمتها للارتفاع بالنسبة للعملات الأجنبية ، وفي تلك الحالة ينتج الجمهور الى شراء الريالات من المصارف ، وتعود المصارف بدورها الى المؤسسة . ومن الناحية الأخرى ، اذا اتجهت قيمة الريال نحو الهبوط بالنسبة للعملات الأجنبية فان الريالات ستقدم الى المصارف ومنها الى المؤسسة التي ستقوم ببيع العملات الأجنبية وسحب الريالات من التداول ، وهكذا تعمل المؤسسة على ضبط كمية العملة التي تدعو الحاجة اليها بالمستوى المحدد للعملات الأجنبية .

ولكي تتمكن المؤسسة من القيام بهذا الحمل تحتاج الى احتياطي ، أو الى اموال ضابطة ، والمورد الأول لهذه الأموال هو الحق السيادى أو المبلغ الذى به تتجاوز قيمة النقود كعملة تكاليف صنعها ، وسوف تبلغ هذه الأموال على الأساس المقترح حوالي ٤٠ % من قيمة النقود الفضية الصادرة اذا افترضنا ان ثمن الفضة سيقبى ١/٤ ٨٣ ر من الدولار للأونس الواحد .

انه لمن غير المحتمل في الغالب ان تحتاج المؤسسة الى استعمال ما يعادل ٤٠% لاسترداد النقود المقدمة اليها . وسوف يتقلص التداول قبل استنفاد ال ٤٠% بوقت طويل بحيث ترتفع قيمة النقود الباقية ، الا انه في المراحل الاولى من اعادة تنظيم العملة قد يميل الجمهور بعض الشيء الى طلب الاسترداد حتى تحصل القناعة بأنه يستطيع الحصول على القيمة الكاملة للنقود الجديدة ، وتوجد وسائل كافية لمواجهة أى طلب من هذا القبيل بموجب الخطة المقترحة .

هنالك مثلا الاموال المخصصة للتثبيت بموجب اتفاقية معقودة مع الحكومة الأمريكية وقيمتها خمسة ملايين دولار تقريبا ، ويمكن استعمال هذه الاموال لشراء وحفظ النقود الفضية العربية السعودية بسعر ١/٢٢ ر. من الدولار للاونس الواحدة . ومن شأن هذه الاموال ايضا ان تكون دعامة للعملة .

واخيرا تستطيع المؤسسة ان تقترض في مقابل الفضة الموجودة في النقود المسلمة للاسترداد ، وهكذا تجد في حوزتها عند الضرورة ، اموالا اضافية كافية بالفعل لاسترداد كافة النقود الصادرة — على ابعد الاحتمال — وحالما يجرى تثبيت العملة الجديدة على اسس راسخة يصبح العمل بالنظام الجديد ميسورا ، وسوف يكون من المهم بصورة خاصة تأمين الاموال الاضافية التي يحتاج اليها اثنا موسم الحج ، فالحجاج يبيعون العملات الأجنبية للحصول على عملة محلية لتسديد مصاريفهم في البلاد العربية السعودية مما يؤدي الى اتساع تداول النقود ، وبانتهاء موسم الحج تعود النقود الفائضة الى المؤسسة التي ستقوم حينذاك بسحبها حتى تدعو الحاجة اليها ثانية كما يستدل على ذلك من اتجاه اسعار الصرافة نحو الارتفاع .

وسوف يمكن هذا الاحتياطي المؤسسة ايضا من سحب العملة المحلية في حالة حدوث نقص مؤقت في الأعمال التجارية في وقت ما بالمستقبل ، أى مثلا في حالة حصول ركود في الطلب العالمي على الزيت . ويجه على الحكومة ان تنشئ وان تودع لدى المؤسسة احتياطا كبيرا للتحوط ضد هذه الطوارئ . وعلاوة على ذلك يتوجب على المؤسسة في الظروف الدولية الحالية ان تملك احتياطا ضخما جاهزا لاستعماله في مكافحة القلاقل الناجمة عن الحرب أو التهديد بالحرب .

وبالاختصار ، يمكن انشا المال الاحتياطي بالشكل التالي . —

١ — بقيام المؤسسة باصدار جميع النقود بقيمتها النقدية الكاملة ، وفرض المبلغ الذي به تتجاوز

الكميات المستلمة قيمة تكاليفها — لنفرض ٤٠% .

٢ — باستعمال الاموال المخصصة للتثبيت العملة ، و

٣ — بالاقتراض في مقابل الفضة الموجودة في النقود المقدمة للاسترداد ، اذا روى لزوم ذلك .

يعتبر المال الاحتياطي امانة مخصصة للأغراض التالية فقط وليس لغيرها من الأغراض . —

١ . — دفع الحوالات المالية و/او التحاويل البرقية لاسترداد العملة المحلية بالعملات الأجنبية .

٢ . — تكاليف سك النقود واحضارها الى البلاد العربية السعودية .

ويمكن الاحتفاظ بهذا الاحتياطي في شكل قطع ذهبية أو نقود ذهبية سعودية في خزائن المؤسسة

و/او في مصارف ذات منزلة عالية في الخارج بسعر ٣٥ دولارا للأونصة النقية الواحدة ، او في شكل ودائع في

مصارف ذات منزلة عالية في نيويورك .

واقدم في الملحق رقم ٥ جدولا يحتوى على حساب الاحتياطي اللازم لمقادير مختلفة من النقود الفضية

الصادرة .

الطريقة البديلة لتحديد الريال

اذا امكن ، كما هو مأمول ، ابقاء الريال مستقرا على نسبة ٤٠ ريالاً للجنيه السعودى الواحد ، وعلى سعر ٢٧ ر. من الدولار ، فان الخطة النقدية المذكورة بحالها تعتبر افضل واسهل خطة على الاطلاق ، غير انه في حالة حدوث تطورات رئيسية تؤدى الى ذبذبة في قيمة الريال قبل وضع تلك الخطة موضع التنفيذ ، كارتفاع ثمن الفضة ، يصبح من الضروري اجرا * تغييرات في الخطة المذكورة .

وفي تلك الحالة تستطيع الحكومة ان تصدر نقداً فضياً جديداً اما بقيمة ١/٤٠ أو ١/٥٠ من الجنيه ، ولتسهيـل ادخال مثل هذا النقد يجب ان تكون له قيمة اقل بالتاكيد من قيمة الريال في ذلك الحين أو القيمة المتوقعة له ، اما اختيار قيمة اعلى فمن شأنه جعل قبول النقد الجديد أكثر تعذراً لاشتماله على محتويات اقل من الفضة .

ربما كان اختيار سعر ١/٥٠ افضل من اختيار ١/٤٠ لأن هذا النقد على اساس السعر الأول يعتبر جديداً بالعمرة ، وسيكون ادخاله أكثر سهولة اذا امكن تثبيت الريال القديم على سعر مرتبط ارتباطاً بسيطاً بالنقد الجديد ، كان تكون كل خمسة ريالات مساوية لسبع قطع من النقد الجديد ، او كل ريالين لثلاث قطع .

فاذا رؤى اجرا * التحديد على هذا النمط يصبح من الضروري تعيين فترة انتقال طويلة نوعاً يباح خلالها تداول هذين النوعين من النقود جنباً الى جنب ، ويجب على الحكومة ان تشجع التداول بالنقد الجديد بكل طريقة عملية ، وان تشرع ، بعد احرازه على ثقة الشعب التامة ، بالضبط ضد استعمال النقد القديم . ويمكن خلال اية فترة يجرى فيها تبادل النقد بين جنبى الى جنب تكليف اصحاب الحوانيت باعلان الأسعار التي سيقبلون بها كلاً من النقدين تلافياً لسوء الفهم وللحيلولة دون التحامل على النقود الجديد . وبوسع الحكومة ايضا ان تعين اسعاراً موافقة لقبول دفع الضرائب والرسوم بالنقود الجديدة لتشجيع استعمالها . واخيراً عندما تصبح النقود الجديدة راجحة في الاستعمال يمكن فرض ضرائب خاصة مميزة على المشتريات والمبيعات بالنقود القديمة .

تعديل قطع النقد الصغيرة

الوضع الحالي

ان القرش (١/٢ من الريال) واجزاءه تمثل بقطع النقد التالية • -

الفئة	الوزن (غرامات)	التركيب	القطر (مليمترات)	السُمك (مليمترات)
١ قرش	٦ر٥	} ٧٥% نحاس و ٢٥% نكل	٢٦	١ر٤٦٥
١/٢ قرش	٥ر٥		٢٣	١ر٤٦
١/٤ قرش	٤ر٢٥		٢٠	١ر٤٠٥

وقد بلغ ما سك من هذه النقود بدار السك في الولايات المتحدة سنة ١٩٤٧ • -

المجموع	العدد	القيمة بالريالات
١ قرش	٧١٥٠٠٠٠	٣٢٥٠٠٠ ريال عربي
١/٢ قرش	١٠٨٥٠٠٠٠	٢٤٦٥٩١
١/٤ قرش	٢١٥٠٠٠٠٠	٢٤٤٣١٨
المجموع		٨١٥٩٠٩ ريال عربي

سعر القرش

ان سعر ٢٢ قرشا للريال الواحد شاذ وغير ملائم ، ويجب تغييره الى ٢٥ حالما يصبح هذا التغيير عمليا ، ويترتب على ذلك حدوث هبوط بسيط في قيمة القرش ، غير ان هذا الهبوط سوف يقبل به سريعا ولن يسبب الا اضطرابا بسيطا ، وبما أنه لا يوجد من يملك عددا كبيرا من قطع القروش فان احدا سوف لا يتحمل اية خسارة تذكر •

وسيجعل هذا التغيير الجنيه الواحد مساويا لألف قرش ، اذا جرى في غضون ذلك الاحتفاظ بسعر

٤٠ - ١ بين الريال والجنيه الجديد •

ان الكمية الحالية من قطع القروش غير كافية ، وقد ارتفعت قيمتها في بعض الاماكن الى اكثر من ٢٢ قرشا للريال الواحد ، اى الى ١٨ أو ١٩ وذلك في الاوقات التي بلغ فيها الطلب على النقود الذروة • ولذلك تدعو الحاجة الى كميات أخرى من قطع القرش ونصف القرش وخاصة اذا وجب تخفيض قيمتها ، اما قطع ربع القرش فان الطلب عليها ضئيل ولا يحتاج الى عدد كبير آخر منها •

تركيب قطع القروش الجديدة

إذا أمكن الحصول على النكل لسك نقود نحاسية نكلية شبيهة بالنقود الحالية فإن التحول إلى السعر الجديد وهو ٢٥ قرشا للريال يصبح أسهل منالا إذا كانت النقود الجديدة مطابقة كل المطابقة للنقود القديمة ، وهذا يجعل الشعب أكثر استعداد لقبول التغيير . غير أن سك كمية النقود الموصى بها أدناه يتطلب حوالي ٦٤٥٠٠ رطل من النكل ، وبما أن النكل خاضع لنظام التوزيع بالحصص فمن المشكوك فيه إمكان الحصول على هذا المقدار* ، ويتطلب أيضا حوالي ١٩٣٥٠٠ رطل من النحاس ، والنحاس نادر وخاضع لنظام التوزيع بالحصص . ويعني تطبيق نظام التوزيع بالحصص ، على كل حال ، حصول تأخير كبير . وفي حالة عدم توافر النكل ، يمكن الاختيار بين نقود من (أ) مزيج الألومنيوم ، أو (ب) فولاذ الكروم ، وكلاهما متين وقابل لصنع نقود جذابة . أن كثيرا من الاقطار تستعمل نقود الألومنيوم بنجاح ، أما فولاذ الكروم فيعتبر مزيجا حديثا انتجته سلطات دار السك في الولايات المتحدة لأنه يصلح في نظرها لصنع نقود جيدة . انني أوصي باستعمال فولاذ الكروم - على فرض عدم توافر النكل - لأن له ميزة كونه أثقل وأكثر شبيها للقرش الحالي من حيث الشكل .

إذا صنعت النقود من فولاذ الكروم فيجب ، أن تكون من نفس حجم النقود الحالية . أما في حالة استعمال الألومنيوم فيجب أن يكون قطر النقود الجديدة نفس قطر النقود الحالية على أن تكون أسمك بعض الشيء بسبب خفة وزنها نسبيا . واقترح لقطعة القرش سمكا يتراوح بين ٩ر١ و ٢٠ر١ مليمتر ، أو بما يزيد على سمك النقود الحالية

+ أن حساب الأوزان على أساس الكمية الموصى بها فيما يلي ، هو كالآتي . -

قطعة النقد	عدد القطع	وزن القطعة الواحدة بالغرامات	الوزن الكلي بالكيلوغرامات
١ قرش	٨٠٠٠٠٠٠	٦ر٥	٥٢ر٠٠٠
١/٢ قرش	٨٠٠٠٠٠٠	٥ر٥	٤٤ر٠٠٠
١/٤ قرش	٥٠٠٠٠٠٠	٤ر٢٥	٢١ر٢٥٠
		المجموع	١١٧ر٢٥٠

ان هذا الوزن (١١٧ر٢٥ كيلوغراما) يتألف من ١/٢ ٢٩ر٣٩٢ كيلوغراما (٢٥%) من النكل و ١/٢ ٧٩ر٣٧ كيلوغراما (٧٥%) من النحاس .

بنسبة الثلث • ويمكن اقرار السمك الصحيح على اساس نماذج بيضا • يوافق عليها قبل المباشرة في صنع الكميات المطلوبة • ان نقود الالومنيوم — المغنيزيوم — الايطالية نقود جذابة ومتينة واني احبذ استعمال قاعدة مشابهة لصنع النقود العربية السعودية الصغيرة الجديدة اذا روى صنعها من مزيج الالومنيوم • وعلى كل حال يمكن استعمال القوالب الحاضرة •

الكمية التي يحتاج اليها

لا تدعو الحاجة في الوقت الحاضر الى استبدال قطع القروش النحاسية النكلية ، ويمكن بحث هذا الأمر فيما بعد لأجل تنظيم التداول ، وبالأماكن تداول النقود القديمة والجديدة بصورة متبادلة ، وتستطيع مؤسسة النقد العربي السعودي ان تحتفظ بقيمة التعادل فيما بينها وان تجعل الكمية المتداولة متكيفة مع الطلب • واني اقترح في بادئ الأمر طلب الكميات والفئات التالية • —

<u>القيمة بالريالات</u>	<u>عدد القطع</u>	<u>الفئة</u>
٣٢٠.٠٠٠ ريال عربي	٨.٠٠٠.٠٠٠	١ قرش
١٦٠.٠٠٠	٨.٠٠٠.٠٠٠	١/٢ قرش
<u>٥٠.٠٠٠</u>	٥.٠٠٠.٠٠٠	١/٤ قرش
٥٣٠.٠٠٠ ريال عربي	المجموع	

ان هذا الطلب سيزيد الكمية الحالية المتداولة وقيمتها ٨١٦.٠٠٠ ريال عربي بنسبة ٦٠% تقريبا، ويعتبر هذا الطلب كافيا لتأمين الحاجة الإضافية الى قطع القروش وللاحتفاظ بسعر أقل وهو ٢٥ قرشا للريال الواحد •

Diana -

1. Mr. D. took one copy to Crawford, telling him if we discover extra copies in the long run, will forward them to him
2. Mr. D. suggests Mr. Blowers be sent copy - two, I believe.
3. Mr. D. suggests holding original for Min Jin. Perhaps he will wish this sent along with Blowers.

At any rate, would suggest your asking Mr. Dunaway what he does wish done with the copies. I'm sort of hazy. (as usual)

Lavonne

1 to Blowers
1/16/53.

1 to Lavonne

1 Embassy

1/8/53

for TCA/W.

Mr. W. wishes
[rest held till
after trans.]

Orig.
on to F.M.

1 Div File

1 TCA File

Dear Lavonne:

Due to an attack of you know what I am unable to come
in again today.

I finished the corrections to Dr. Young's report and
here they are.

Will you check the original copy of pages 26 and 27 and
see if you think the correction is legible? I do not have
a typewriter eraser here and pencil eraser does not do so
well on originals. The carbons are ok tho.

*also check the letter as it says give the old
page 21 to Mr. Khalid, & explain changes, etc.*

Re distribution of this report- will you call Mr. Dunaways ^{ask Mr. D.} attention

to the following:

- 1 copy must go to Blowers
- 1 or more copies were promised Crawford at the Embassy.
- 1, preferably two must be filed in our office.
- original to the Finance Minister

(I understand Blowers is handling translation
hence no copies of our Liaison or ~~from~~ am I wrong on
this?)

Fuad Najaar asked me for a copy, are we to give him
one?

Washington should receive at least one copy.

There are only the original and 8. Dr. Young has
another making 10.

currency. This would comprise silver and minor coins; and would involve a system which it would be difficult to operate without relying largely on currency notes--whose use under present conditions seems inadvisable.

Thus adoption of a standard which would require gold circulation at \$35 per ounce is impracticable.

The Saudi Arabian gold sovereign

There remains the choice of introducing the new Saudi Arabian gold sovereign, minted early in 1951 but not issued as of October 1, 1952, as a step to an improved monetary system; and maintaining its value in foreign exchange by operations of the Saudi Arabian Monetary Agency to prevent undue fluctuations. This is in my opinion the best choice, having regard to actual conditions in Saudi Arabia and the attitude of the Government and public.

There are several important reasons in favor of a gold coinage in Saudi Arabia. For centuries gold coins have been known and trusted and they now form a major element in the system. They are popular because well-suited to conditions that now exist and are likely to continue to exist for some time to come. They afford high value in small compass, are easily transported, are highly durable and are a convenient "storehouse of value" in a country meagerly equipped with credit institutions. In an inflationary world, faced with threats of war and widely dominated by the belief that governments should use fiscal means to promote full employment and prosperity, gold is more likely to keep its value than any national monetary unit. A gold currency is less liable than any other to pressure from unwise governmental action--and the strongest and most experienced countries are suffering from abuses of credit.

Under present world-wide conditions there can be no assurance of complete stability in any standard. But there is a firm floor under gold at \$35 per ounce. One cannot visualize a drop below that figure, which is 7%-8% below the free gold price in September, 1952 (\$37.50-\$38.00 per ounce). No continuing drop to a premium of less than say 4% (\$36.40) seems at all likely. Thus for practical purposes the floor is higher than \$35.

On the other hand, a rise of large proportions in the free gold price would be checked by the gold sales of producing countries in free markets.

III. INTRODUCTION OF THE SAUDI ARABIAN GOLD SOVEREIGN*

A major purpose of the Saudi Arabian Government's far-sighted action in creating the Saudi Arabian Monetary Agency in April, 1952, was to provide machinery to improve the monetary system. The Royal Decree of April 20, 1952, mentioned as the first function of the Agency: "To strengthen the currency of the State and to stabilize its value and to fix its value in relation to foreign currencies."

The Agency's opening on October 4, 1952, cleared the way for issuing the new gold sovereign.** This coin is practically identical with the current British sovereign in weight and fineness. It weighs 7.98805 grams, is .91666 fine and contains 7.322326 grams of fine gold (equivalent to .2354 oz.).

Issuance of the new coin raises problems of its value in foreign exchange, how its value is to be maintained and the position of the present currency comprising British sovereigns and riyals.

Value to be given to the new sovereign

The Agency should operate to prevent undue fluctuations of the value of the new sovereign in foreign exchange, within an approximate range determined by the Agency. Its issuance thus will be an important step toward exchange stability and avoidance of the losses to the Government and the people which have resulted from exchange fluctuations. But it is important that the range be neither too low nor too high.

The gold content of the coin is worth about \$8.24 at \$35 per ounce. On the basis of the current price of gold bullion in free markets, recently between \$37 and \$38, the coin's gold content is worth between \$8.70 and \$8.95. Obviously the coin could not be issued at a value in the latter

* Part of this chapter was embodied in a report presented to His Excellency the Minister of Finance on August 14, 1952.

** In the summer of 1952 the Government handed out at Riyadh a number of the new sovereigns, but this is not to be considered as commencement of issuance as currency.

The action of the International Monetary Fund in September, 1951, in leaving greater latitude to members to determine their respective policies for sale of newly mined gold has had an important effect on the markets for gold bullion. Sales on a larger scale have led to lower prices and there has been greater stability at those levels. The Fund's announcement was followed by a drop of over \$3 from about \$41 to a range of \$37-\$38 in recent months.

I recommend that the new sovereign have a value in the approximate range of \$10.60 to \$11.00, which is equivalent to a gold price of about \$45.00 to \$46.75 per ounce. Sales policies of producing countries seem likely to hold the price below that range except, as stated, in case of the happening or general expectation of large-scale general war, or revaluation of gold generally or by the United States. Short of these contingencies it is quite unlikely that the gold price in accessible outside markets would reach \$45. These contingencies I feel should not now deter Saudi Arabia from issuing the gold coin as a step toward monetary improvement.

The range of value for the new sovereign also has to take account of the rate at which it will be issued in terms of the riyal.* This range, therefore, has to take account of the foreign exchange value of the riyal, as hereinafter explained.

Means to maintain the sovereign's value

If Saudi Arabia issues the new sovereign in the range above recommended, it must be firmly sustained in that range to assure confidence. Thus the Monetary Agency must redeem the coin on demand in unlimited amounts at the lower limit of the range chosen.

Redemption calls for an adequate reserve of dollars or gold deposited in banks of high standing in the United States in the name of the Agency. The reserve must be specially earmarked so that it cannot be used for any purpose other than to maintain the stability of the new sovereign.

As stated, there seems no chance of gold falling below \$35 per ounce, the figure at which the American authorities buy gold. Likewise the free gold price which in September, 1952, ranged

* His Excellency the Finance Minister announced this rate on October 4, 1952, as 40-1.

between \$37-\$38 is quite sure to stay well above \$35 and probably above \$36. The Monetary Agency could readily borrow against the coins if need be up to about \$35 per ounce. The reserve therefore will be adequate if it covers the difference between the monetary value of the coins issued and their value at \$35.

To illustrate: a million new coins issued at \$11 each through the Agency are paid for in dollars, a total of \$11 million, as provided in the draft decree. In the unlikely case that they are all presented for redemption, the gold in them would be worth \$8.24 million at \$35 per ounce, or \$8.70 at \$35 per ounce. And the Agency would hold as earmarked reserve the excess of monetary value over cost, namely, \$2.76 million, less expenses of coinage and shipment which are not over about 2%.

The requirement that new coins be issued only through the Agency and their full monetary value paid in dollars thus will automatically create a sufficient reserve. But it is important that this requirement be strictly followed, and that no coins be issued without the prescribed earmarked reserve.

Since the new coin will have a monetary value well above its value as gold bullion, there will be no inducement to export it. Nevertheless its export should be forbidden to make clear that it is to be kept a local coin, and to give protection in case of an unexpected rise, e.g., in the contingencies mentioned.

Position of the British gold sovereign

This well-known coin is widely used in Saudi Arabia, and the Government should avoid action that might adversely affect the value of the British sovereign after issuance of the new sovereign. The new coin, however, may be expected in time to supplant the British sovereign as currency within Saudi Arabia, though some will doubtless continue to hoard British sovereigns. The new coin will be convertible into riyals at a convenient rate which the Monetary Agency will be in position to maintain subject to substantial changes in the world prices of gold or silver. Also it will have an assured value in dollars and be readily convertible into foreign exchange. Thus it should gradually prove attractive.

It is desirable to discourage the making of fresh contracts in British

¶

in foreign

Thus the new sovereign would have a value in t

recommended. ~~and~~ The Agency would firmly prevent it f

below that range by buying sovereigns and/or riyals f

on demand in unlimited amounts. Likewise the Agency

exchange rates from rising above the upper limits of

signs and/or riyals. ¶ The above should be regarded as trans

until the riyal can be readjusted on the lines herein

IV. RATES FOR THE NEW SOVEREIGN AND THE RIYAL

I would emphasize that maintenance by the Agency of rates between the riyal and the Saudi Arabian sovereign depends first upon there being ^{major} ~~no~~ ~~sub~~ ~~stantial~~ changes in world prices of silver and gold. Also it depends upon the Agency having at all times enough of each coin to meet all demand at the rates set. Only readjustment of the riyal on the lines set forth in the following chapter can definitely make possible a firmly held rate between these two coins.

With these principles in mind, and because of the basic position of the riyal in Saudi Arabia and the attitude of the Government and the people, the best policy will be for the Saudi Arabian Monetary Agency acting on the Government's behalf:

1. To bring ^{foreign exchange} rates for the riyal under control at the approximate level desired before issuing the new sovereign;
2. To issue the new sovereign equivalent to a specified number of riyals, and ~~to all it can~~ to hold the riyal firmly at the specified rate, ^{vis-a-vis the sovereign,} subject of course to the above principles, ~~and~~
3. ~~To set lower and upper limits in dollars for the new sovereign in a fairly narrow range; to sustain the sovereign definitely at the minimum level fixed by redeeming it in dollars on demand in unlimited amounts; and to issue new sovereigns at the upper level fixed provided that the Agency is adequately covered in riyals. (In other words, the new sovereign would not be allowed to fall below the level set, and every effort would be made to prevent it going above the upper level.~~

The above should be regarded as transitional until the riyal can be readjusted on the lines hereinafter proposed.

The key to the program, therefore, is the choice of the best level for the riyal. This level should be chosen with great care so as to cause the

Summary of proposed silver coins and comparison

<u>Denomination</u>	<u>Weight (grams)</u>	<u>Fineness</u>	<u>Silver content (grams)</u>	<u>Diameter (millimeters)</u>	<u>Thickness (millimeters)</u>
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I. Proposed coins

4 riyal	26.244	916 2/3	24.0570	38.10	2.84
1 "	11.6638	500	5.3459	31.65	1.56
1/2 "	5.8319	500	2.6730	24.3840	1.36
1/4 "	2.9160	500	1.3365	19.5072	1.08

II. Present coins

1 riyal	11.6638	916 2/3	10.6918	30.5054	1.67
1/2 "	5.8319	916 2/3	5.3459	24.3840	1.36
1/4 "	2.9160	916 2/3	2.6730	19.5072	1.08

Quantity of new coins needed

Consideration of the need for riyals must take account of the extent of demand for the new Saudi Arabian gold sovereign.

No one can say how many British gold sovereigns are now in Saudi Arabia. In 1948-50 Aramco brought in about 10 million sovereigns for its payments to the Government. But that was far beyond the country's capacity to absorb money and most of the coins, perhaps as much as 90%, were exported.

The number of new sovereigns needed will depend upon public acceptance, and in particular upon how far and how rapidly they are substituted for British sovereigns. *a rate of 40-1 for the riyal as ~~proposed~~ announced by the Minister of Finance* With an assured value in dollars, there is reason to expect that the Saudi Arabian people will receive the new coin well as a national coin. Substantial amounts will be held as personal and business capital. This will be partly in substitution for British sovereigns, and as an addition to capital funds as the country develops due to developing oil production and the general tendency to progress. *October 4, 1952, a*

Modernization will gradually lead to increased banking facilities and tend to reduce hoarding. Everything practicable should be done to promote investment in various productive enterprises, rather than to hoard. But monetary habits are slow to change, and hoarding of gold and silver will continue for a long time to come.

It is impossible at present even to guess the quantity of new sovereigns